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**NATIONAL POWER CORPORATION**

**Statement of Management's Responsibility  
For Financial Statements**

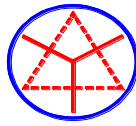
The Management of NATIONAL POWER CORPORATION is responsible for all information and representations contained in the accompanying Statement of Financial Position as of 31 December 2014 and the related Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended. The financial statements which have been prepared in conformity with generally accepted state accounting principles and Philippine Financial Reporting Standards, where applicable, reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or dispositions and liabilities are recognized.

*(original signed)*  
LORNA T. DY  
VP – Administration & Finance

*(original signed)*  
MA. GLADYS CRUZ-STA. RITA  
President & CEO

13 February 2015



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## NATIONAL POWER CORPORATION

**Ms. MINERVA T. CABIGTING**  
Supervising Auditor  
Commission on Audit

February 13, 2015

This representation letter is provided in connection with your audit of the financial statements of NATIONAL POWER CORPORATION for the year ended December 31, 2014 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material aspects, (or give a true and fair view) in accordance with International Financial Reporting Standards.

We confirm that (to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves):

### *Financial Statements*

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January, 2015 for the preparation of the financial statements in accordance with the International Financial Reporting Standards: in particular the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. (ISA 540)
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. (ISA 550)
- All events subsequent to the date of the financial statements and for which International Financial Reporting Standards require adjustment or disclosure have been adjusted or disclosed (ISA 560).

### *Information Provided*

- We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters.
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements. (ISA 240)
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. (ISA 240)
- We have disclosed to you all instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. (ISA 250)
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. (ISA 550)

*(original signed)*

**LORNA T. DY**  
VP - Administration & Finance

*(original signed)*

**MA. GLADYS CRUZ-STA. RITA**  
President & CEO



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City, Philippines

## **INDEPENDENT AUDITOR'S REPORT**

**The Board of Directors**  
National Power Corporation  
Diliman, Quezon City

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the National Power Corporation, which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles generally accepted in the Philippines, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### *Basis for Qualified Opinion*

The existence, validity and accuracy of "Operations and Management Agreement (OMA) Trust" account with year-end balance of P8.066 billion consisting of Utility Plants, Cash and Cash Equivalents, Other Receivables, Advances, Materials & Supplies for Operation and Other Assets, were not ascertained due to:

- a. Unreconciled variance of P2.637 billion between OMA Trust account and the reciprocal account, "Assets Held in Trust with NPC" maintained by PSALM for fund transfers for the operation and maintenance of the generation and other assets under the OMA, with reported balance of P5.429 billion in the books of PSALM, registering a decrease of P484 million from P3.121 billion in CY 2013;
- b. inclusion of Utility Plants owned by PSALM with a carrying value of P1.668 billion;
- c. Unreconciled variance of P322.276 million between book balance at P2.545 billion, and the total amount per physical inventory report at P2.223 billion for Material and Supplies for Operation; and

- d. Non-recording in the books Stocks for disposal amounting to P21.243 million.

The Construction Work in Progress (CWIP) account continued to carry a balance at P1.516 billion, whose validity and accuracy remained unascertained due to the inclusion of:

- a. cost of personnel services amounting to P317.719 million which remained unallocated to the completed projects;
- b. 18 work orders in the total amount of P162.430 million which remained dormant for three years, of which P102.902 million worth of equipment were already delivered in CY 2009;
- c. cost of suspended work orders due to Right of Way (ROW) problems amounting to P1.022 million;
- d. cost of work orders amounting to P17.736 million that was not related to the construction of Electric Plant in Service;
- e. cost of completed projects amounting to P16.047 million, of which P0.534 million pertained to SPUG-Mindanao; and
- f. Charging of SPUG-Visayas drydocking expenses for Power Barge 113 amounting to P5.536 million to CWIP account instead of to Maintenance-Diesel Plant.

The aggregate year-end balances of P2.584 billion for asset accounts and P41.250 billion for liability accounts under PSALM-Retained and TRANSCO-Retained accounts remained outstanding/dormant since CY 2009, and remained undocumented, hence, the validity and accuracy of the accounts' balances were doubtful.

#### *Qualified Opinion*

In our opinion, except for the effects and the possible effects of the matters discussed in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the National Power Corporation as at December 31, 2014, and of its financial performance and cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

#### *Emphasis of Matter*

We draw attention to Note 34.a of the Notes to Financial Statements which describes the uncertainty pertaining to the NPC-Drivers and Mechanics Association (NPC-DAMA) case filed against the Corporation which may cost approximately P67 billion. Our opinion is not qualified in respect of this matter.

#### *Supplementary Information Required Under Revenue Regulation No. 15-2010*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required by the Bureau of Internal Revenue on taxes, duties and license fees disclosed in Note 37 to the financial statements is presented for purposes of additional analysis and is not a required part of the financial statements prepared in accordance with state accounting principles generally accepted in the Philippines. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **COMMISSION ON AUDIT**

*(Original Signed)*  
**MINERVA T. CABIGTING**  
Supervising Auditor

June 30, 2015

**NATIONAL POWER CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2014**

(With Comparative Figures as at December 31, 2013)  
(In Philippine Peso)

	Notes	2014	2013
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Utility plant - net	4	6,819,509,267	6,798,300,860
Construction work in progress	5	1,516,564,768	1,218,736,907
Non-utility property - net	6	86,081,350	133,226,250
Non - current power receivables	7	1,893,097,255	1,917,595,152
Other Assets	8	9,103,436	5,411,983
Total Non-Current Assets		10,324,356,076	10,073,271,152
<b>Current Assets</b>			
Cash & cash equivalents	9	6,687,613,818	5,515,344,341
Power receivables - net	10	7,008,416,757	6,733,149,696
Other receivables - net	11	7,149,574,464	5,247,145,425
Materials and supplies for operation	12	1,251,265,184	1,089,331,543
Advances, prepayments and deposits	13	127,822,552	63,541,254
Total Current Assets		22,224,692,775	18,648,512,259
<b>Trust Assets (PSALM)</b>	14	8,066,043,145	7,290,555,250
<b>Temporary Registry</b>	15	2,583,570,109	3,621,194,498
<b>TOTAL ASSETS</b>		<b>43,198,662,105</b>	<b>39,633,533,159</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	16/17	25,315,682,642	22,615,102,247
<b>Non-Current Liabilities</b>			
Long-term debts (net of current portion)	19	718,871,241	852,017,974
Provision for vacation and sick leave benefits	21	564,929,608	571,030,542
Deferred Credits	22	1,107,466,935	143,107,645
Total Non-Current Liabilities		2,391,267,784	1,566,156,161
<b>Current Liabilities</b>			
Accounts payable and accrued expense	20	4,638,849,537	4,372,958,839
Current portion of long-term debts	18	42,404,222	47,458,721
Retention on contract payments	21	110,216,731	88,200,820
Deposits and trust funds	23	50,220,656	31,450,797
Interest payable		407,279	455,826
Total Current Liabilities		4,842,098,425	4,540,525,003
<b>Trust Liabilities (PSALM)</b>	14	8,066,043,145	7,290,555,250
<b>Temporary Registry</b>	15	2,583,570,109	3,621,194,498
<b>TOTAL EQUITY and LIABILITIES</b>		<b>43,198,662,105</b>	<b>39,633,533,159</b>

See accompanying Notes to Financial Statements.

**NATIONAL POWER CORPORATION**  
**STATEMENT OF COMPREHENSIVE INCOME**

For the Year Ended December 31, 2014

(With Comparative Figures for the Year Ended December 31, 2013)

(In Philippine Peso)

	Notes	2014	2,013
<b>OPERATING REVENUE</b>			
Utility income		2,175,629,691	2,175,735,664
Transmission services income		9,555,322	12,380,079
Universal charge	24.a	8,696,594,212	7,443,873,876
<b>Total operating revenue</b>		<b>10,881,779,225</b>	9,631,989,619
Prompt payment discount		(25,775,867)	(25,144,661)
Other demand energy adjustment income		(61,190,220)	(59,838,251)
<b>Net Operating Revenue</b>		<b>10,794,813,138</b>	9,547,006,707
<b>OPERATING EXPENSES</b>			
Generation	24.b	5,330,659,479	5,706,713,190
Administrative and general expenses	24.c	767,216,580	684,452,728
Depreciation and depletion		306,114,469	326,243,550
Bad debts		621,340,873	297,469,211
Transmission and distribution		36,559,304	29,033,646
Other operating expenses	24.d	482,983,493	83,940,508
<b>Total Operating Expenses</b>		<b>7,544,874,198</b>	7,127,852,833
<b>OPERATING INCOME (LOSS)</b>		<b>3,249,938,940</b>	2,419,153,874
<b>OTHER INCOME(EXPENSES)</b>			
Interest income		511,439,063	464,827,846
Income from administrative fee	27	94,099	6,401,339
Extraordinary Gain	28	383,490,512	0
Gain (Loss) on forex fluctuation	26	96,346,918	(93,809,001)
Gain (Loss) on debt service - ICERA/forex recovery	25	591,039	(2,606,190)
Gain on diesel/fuel transfer		0	41,229
Gain Retirement of Assets		0	11,741,071
Miscellaneous income	29	107,135,010	50,813,399
Subsidy to NPP's of MEA	31	(2,750,398,947)	(2,200,745,985)
Depreciation - other plants/property		(29,642,317)	(117,833,737)
Interest expense	30	(14,577,005)	(17,111,986)
Finance & other bank charges		(34,327)	(74,537)
Loss on diesel/fuel transfer		(6,015,325)	0
Miscellaneous expenses	32	(12,093,195)	(15,721,266)
<b>Other Income (Expenses)</b>		<b>(1,713,664,475)</b>	(1,914,077,818)
<b>NET INCOME (LOSS) Before NG Subsidy</b>		<b>1,536,274,466</b>	505,076,056
<b>NG Subsidy</b>	33	<b>1,000,000,000</b>	987,761,000
<b>NET INCOME (LOSS) Before Income Tax</b>		<b>2,536,274,466</b>	1,492,837,056
<b>Income Tax</b>	38	<b>0</b>	0
<b>NET INCOME (LOSS)</b>		<b>2,536,274,466</b>	1,492,837,056

See accompanying Notes to Financial Statements.

**NATIONAL POWER CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**

For the Year Ended December 31, 2014

(With Comparative Figures for the Year Ended December 31, 2013)

(In Philippine Peso)

	Notes	2014	2013
<b>CAPITAL STOCK P100 par value</b>			
Authorized 500,000,000 shares, issued 270,488,708		<b>27,048,870,789</b>	27,048,870,789
<b>DONATED CAPITAL</b>			
	16		
Balance, Beginning		<b>3,051,865</b>	2,822,788
Donation during the year		<b>65,456</b>	650,710
Amortization		<b>(210,816)</b>	(421,632)
Balance, End		<b>2,906,505</b>	3,051,866
<b>RETAINED EARNINGS</b>			
	17		
Balance, Beginning		<b>(6,659,122,654)</b>	(8,031,337,130)
Appropriated Retained Earnings - Sinking Fund		<b>187,194,690</b>	66,236,996
Net income (loss) during the year		<b>2,536,274,466</b>	1,492,837,056
Correction of prior year's income		<b>(16,531,439)</b>	(186,859,576)
Balance, End		<b>(3,952,184,937)</b>	(6,659,122,654)
<b>APPRAISAL CAPITAL</b>			
	18		
Balance, Beginning		<b>2,222,302,246</b>	2,222,386,744
Adjustments		<b>(6,211,961)</b>	(84,498)
Balance, End		<b>2,216,090,285</b>	2,222,302,246
<b>EQUITY</b>		<b>25,315,682,642</b>	22,615,102,247

*See accompanying Notes to Financial Statements.*



**NATIONAL POWER CORPORATION**  
**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2014  
(With Comparative Figures for the Year Ended December 31, 2013)  
(In Philippine Peso)

	Notes	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash collected from Universal Levy		7,955,355,000	7,018,907,839
Subsidies Received from Other Govt Agencies		1,062,802,737	167,241,480
Collections from power customers		2,040,001,277	2,079,571,825
Amount withheld from employees, suppliers & other creditors		872,062,196	766,959,471
Interest and dividends received		347,184,003	337,743,750
Deposits and trust funds received		27,529,215	17,955,494
Collections on deposits & advances		16,905,623	590,334
Collections of other receivables		10,446,146	141,580,603
Net fund remittance		0	21,149,737
Purchase of fuel for generation		(4,839,064,586)	(3,808,478,536)
Statutory remittances		(2,010,555,874)	(1,738,407,890)
Other operating expenses		(1,683,085,403)	(2,115,578,738)
Other expenses		(1,871,345,490)	(1,171,535,714)
Personnel cost		(340,709,086)	(449,496,306)
Financial Assistance		(32,284,180)	0
Refund of deposits and trust funds		(8,134,993)	(9,191,156)
Net funds transferred		(5,857,068)	0
Realty tax paid		(1,822,458)	(560,043)
Share of local government units in the national wealth		(1,090,937)	0
Deposits and other advances		(4,383,613)	0
Net Cash Provided by/(Used in) Operating Activities		1,533,952,509	1,258,452,150
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received from investments		32,713,374	44,013,676
Proceeds from sale of assets		2,942,282	13,023,416
Capital expenditures		(237,908,708)	(60,219,091)
Net Cash Used in Investing Activities		(202,253,052)	(3,181,999)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Gain on FOREX (Debt Service)		591,039	0
Transfer from restricted cash account		0	0
Transfer to restricted cash account		0	(66,271)
Dividend payment to Bureau of Treasury		(100,000,000)	0
Interest paid on loans		(14,625,552)	(17,203,667)
Loss on FOREX (debt service)		0	(2,606,190)
Payment of loans		(45,395,467)	(43,390,174)
Net Cash Used in Financing Activities		(159,429,980)	(63,266,302)
<b>EFFECT OF EXCHANGE RATE ON CASH &amp; CASH EQUIVALENT</b>		<b>0</b>	<b>0</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>		<b>1,172,269,477</b>	<b>1,192,003,849</b>
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>		<b>5,515,344,341</b>	<b>4,323,340,492</b>
<b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>		<b>6,687,613,818</b>	<b>5,515,344,341</b>

See accompanying Notes to Financial Statements.

**NATIONAL POWER CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
(With Comparative Figures for CY 2013)

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**1. CORPORATE INFORMATION**

The National Power Corporation (NPC) was established originally as a non-stock government corporation under Commonwealth Act No. 120 on November 3, 1936. It was later converted to stock Corporation wholly owned by the government under Republic Act 2641 in 1960. Not for long in 1971, by virtue of Republic Act 6395, its charter was then revised as amended.

As mandated by the Revised NPC Charter, the Corporation shall undertake the development of hydroelectric generation of power and the production of electricity from nuclear, geothermal and other sources, as well as the transmission of electric power on a nationwide basis, shall continue to exist for fifty years from and after expiration of its present corporate existence. It shall, as far as feasible spread the benefits of its projects and operations to the greatest number of the population possible, and the Corporation shall prosecute faithfully such projects as will promote total electrification of Luzon Islands, Visayan Islands, and Mindanao Islands.

NPC's Charter provides that it shall be non-profit and shall devote all its returns from its capital investment, as well as excess revenues from its operation, for expansion. To enable the Corporation to pay its indebtedness and obligations and, in furtherance and effective implementation of the government's policy of power generation, the Corporation, including its subsidiaries, is declared exempt from the payment of all forms of taxes, duties, fees, imposts as well as costs and service fees including filing fees, appeal bonds, supersedeas bonds, in any court or administrative proceedings.

With the enactment of RA#9337, otherwise known as the Reformed Value-Added Tax (RVAT) Law of 2005, which took effect on November 1, 2005, NPC's purchases of fuel and purchased power as well as its sale of electricity are subjected to VAT, specifically stated under Sec. 24(A) of R.A. 9337 repealing Section 13 of R.A. No. 6395 on the Corporation's exemption from VAT. However, its non-profit character and exemption from all other taxes, including income tax, has not been affected. Moreover, the Bureau of Internal Revenue (BIR) in its Ruling 018-2000 dated January 20, 2000 categorically stated that pursuant to Section 32(B) (7) (b) of the National Internal Revenue Code (NIRC) as amended by RA 8424, the income of NPC from its operation as public utility or from the exercise of any essential governmental functions shall be exempt from corporate income tax.

**The EPIRA**

Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001", the "EPIRA", was enacted to institute reforms and provide framework for the restructuring of the electric power industry including, among others, the privatization of generation assets, real estate, other disposable

assets, independent power plants and the liquidation of all liabilities and stranded contract cost of NPC.

The EPIRA organized the industry into four (4) sectors: generation, transmission, distribution and supply. The structural reforms resulted, among others, in the creation of two (2) Government Owned and Controlled Corporations (GOCC's), the National Transmission Corporation (TRANSCO) and the Power Sector Assets and Liabilities Management Corporation (PSALM). NPC was retained as a GOCC to perform the missionary electrification function, through the Small Power Utilities Group (SPUG), watershed management and the operation and maintenance of all undisposed generation assets.

### **Separation of TRANSCO Books from NPC and the Transfer of Assets and Liabilities from NPC to PSALM**

As mandated under the EPIRA and pursuant to the instructions from the respective Boards and Managements of NPC, PSALM and TRANSCO, the actual separation of books of TRANSCO from NPC and the assets-debt accounts transfer from NPC to PSALM was implemented on October 1, 2008 based on the balances of interim financial report (except for SPUG) as of September 30, 2008. Full implementation was effected on December 31, 2008. This momentous event significantly affected the current financial structure of NPC, as only the accounts pertaining to SPUG, watershed and other assets/facilities that are used and useful in the performance of its missionary function, watershed management and the operation of plants, under the Operation and Maintenance Agreement with PSALM, are retained in the books of NPC. Similar in 2008, NPC reported only the result of operation for SPUG and the financial condition of the residual NPC, consisting of accounts pertaining to SPUG & watershed and the retained PSALM/TRANSCO accounts which are reported in the balance sheet under the Temporary Registry Accounts. (See Note 15)

### **Operation and Maintenance Agreement (OMA)**

The Operation and Maintenance Agreement (OMA) is an agreement entered into by and between NPC and PSALM on February 17, 2009 wherein NPC will act as the Operator of the transferred generation and other assets/facilities owned by PSALM prior to privatization of such assets. This agreement shall be effective until the second anniversary unless otherwise extended or renewed by the parties. For 2013, PSALM and NPC agreed to continue to observe the terms of the current OMA until the new OMA is executed and made effective by both parties.

The head office is located at the National Power Corporation, Building 1, BIR Road, corner Quezon Avenue, Diliman, Quezon City.

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## **2. MAJOR ACCOMPLISHMENTS**

Following are the highlights of accomplishments of SPUG and Watershed in 2014:

**SPUG and WATERHED**

***FINANCIAL HIGHLIGHTS***

• **Revenue**

NPC raised a revenue of P10.795 billion for CY 2014 which is higher by 13.07% or P1.248 billion over its actual revenue of P9.547 billion in CY 2013.

• **Net Operating Income**

NPC posted a Net Operating Income P3.250 billion which is higher by 34.34% from its Net Operating Income of P2.419 billion in CY 2013.

• **Net Income**

NPC reported a Net Income of P2.536 billion from its Net Income of P1.493 billion in CY 2013. The significant increase is attributed primarily from revenue derived from Universal Charge for Missionary Electrification of about P8.697 billion over the actual revenue level of P7.444 billion in CY 2013 or an increase of by P1.253 billion.

***OPERATIONAL HIGHLIGHTS***

In furtherance of its mandate to bring power as catalyst for development to the farthest, smallest and remotest areas and islands, the following are NPC's programs and projects accomplishments in 2014:

**Small Power Utilities Group (SPUG)**

<b>Project/Activity</b>	<b>Capacity</b>	<b>Description</b>	<b>ABC/ Project Cost</b>	<b>Status</b>	<b>Action Taken</b>
1. Fuel Oil Storage Tank (Schedule II)	(1 x 10 m <sup>3</sup> )	Fuel Oil Storage Tank for the ff: • Nabuctot, San Pascual, Lahuy, Quinalasag, Peña, Chico • Gilotongan, Ginawayan	14,485,975.53	• On-going construction- 91.00% of construction accomplishment	• Request for extension date of deadline
	(1 x 35 m <sup>3</sup> )				
	(1 x 10 m <sup>3</sup> )				
	(1 x 10 m <sup>3</sup> )				
	(1 x 10 m <sup>3</sup> )				
	(1 x 10 m <sup>3</sup> )				
	(1 x 10 m <sup>3</sup> )				

2. Fuel Oil Storage Tank (Schedule III)	(2 x 60 m <sup>3</sup> ) (2 x 60 m <sup>3</sup> ) (1 x 35 m <sup>3</sup> )	Fuel Oil Storage Tank for the ff: • Pilar, Caluya, Gigantes	10,316,625.65	<ul style="list-style-type: none"> <li>• On –going construction. - 84.00% of const. accomplishment. Caluya storage tank construction @ newly acquired lot thru donation.</li> <li>• Review of Billing</li> <li>• Waiting for valves/strainers shipment</li> <li>• For schedule Radiographic Testing</li> </ul>	<ul style="list-style-type: none"> <li>• Request for extension date of deadline</li> <li>• For preparation of Certificate of Accomplishment</li> </ul>
3. Fuel Oil Storage Tank (Schedule V)	(2 x 60 m <sup>3</sup> ) (1 x 35 m <sup>3</sup> ) (1 x 10 m <sup>3</sup> ) (1 x 35 m <sup>3</sup> )	Fuel Oil Storage Tank for the ff: • Siasi, Sitangkay, Luuk & Tandubas	13,144,990.17	<ul style="list-style-type: none"> <li>• On –going construction. - 66.00% of const. accomplishment</li> <li>• Review of Billing</li> <li>• Waiting for valves/strainers shipment</li> <li>• For schedule Radiographic Testing</li> </ul>	<ul style="list-style-type: none"> <li>• Request for extension date of deadline.</li> <li>• For preparation of Certificate of Accomplishment</li> </ul>
4. New Areas (Group 1)	(1 x 90 kW)	Engineering Study for the ff: a. Tinaga (Mangcawayan & Pinagtigasan) & Guintinua Island (Banocboc), Cam Norte b. Tagubanan, Ilo-ilo c. Calagnaan, Ilo-Ilo d. Sipaway, Negros Occidental	19,510,000.00	<ul style="list-style-type: none"> <li>• For CRF preparation.</li> <li>• Preparation of Topographic Drawing</li> <li>• Preparation of Topographic Drawing</li> <li>• Re-survey on January 2015.</li> </ul>	<ul style="list-style-type: none"> <li>• Request for extension date of deadline</li> </ul>

5. New Areas (Group 2)		<p>Engineering Study for the ff:</p> <p>a. Pandaon, Jandayan &amp; Jao Islands, Bohol</p> <p>b. Pangapuyan, Tumulutab, Manalipa, Tictabon &amp; Great Sta Cruz Islands, Zamboanga</p>		<ul style="list-style-type: none"> <li>• For schedule of travel.</li> <li>• Conducted survey last 27 Aug. to 05 Sept. 2014</li> <li>• Finalization of report &amp; started the Conceptual Design &amp; BOQ.</li> <li>• Waiting for Topo</li> </ul>	<ul style="list-style-type: none"> <li>• For confirmation with BOHECO regarding the scheduled travel.</li> <li>• Request for extension date of deadline</li> </ul>
6. New Areas (Group 3)		<p>Engineering Study for the ff:</p> <p>a. Hilabaan &amp; Tikling Islands, Dolores</p> <p>b. Homonhon Island, Eastern Samar</p> <p>c. Tarnate Island, Northern Samar</p> <p>d. Tubabao Island, Eastern Samar</p> <p>e. Sulu-an Island, Eastern Samar</p>		<ul style="list-style-type: none"> <li>• Design preparation based on the data gathered on Site. Note: DX line will be const. by coop.</li> <li>• Waiting for Topo</li> </ul>	<ul style="list-style-type: none"> <li>• Request for extension date of deadline</li> </ul>
7. Flow meters		<ul style="list-style-type: none"> <li>• Flowmeters for various SPUG Plants in Luzon, Visayas &amp; Mindanao</li> </ul>	26,880,000.00	<ul style="list-style-type: none"> <li>• CRF forwarded to Logistics on 10 Sept. 2014</li> <li>• For evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-Bidding held 15 October 2014</li> <li>• Schedule for Bidding on 12 November 2014.</li> </ul>

8. Auto Reclosers			163,044,000.00	<ul style="list-style-type: none"> <li>• LCB report on 23 October 2014.</li> <li>• For post-qualification report 18 Nov. 2014</li> <li>• For issuance of NTP</li> </ul>	
9. Pangutaran DPP	(2 x 300 kW)	Administrative Works	15,764,000.00	<ul style="list-style-type: none"> <li>• With Notice of Award</li> <li>• Contract awarded</li> <li>• With Notice to Proceed</li> <li>• For reversion of fund from OPD to PMD.</li> </ul>	
10. Languyan DPP	(2 x 200 kW)	Administrative Works	24,854,000.00	<ul style="list-style-type: none"> <li>• Two (2) failed Biddings - For review of Scope of Works.</li> </ul>	<ul style="list-style-type: none"> <li>• Check @ Finance re: Budget</li> </ul>
11. Pandami DPP	(2 x 150 kW)	Administrative Works	27,773,000.00/ 28,000,000.00	<ul style="list-style-type: none"> <li>• @ BCSD</li> <li>• Reported pre-proc 08 January 2015.</li> </ul>	
12. Reflecting	(13 x 600kW)  (1 x 600 kW) (1 x 600 kW) (4 x 600 kW) (1 x 600 kW) (2 x 600 kW) (1 x 699 kW) (1 x 600 kW) (1 x 600 kW) (1 x 600 kW)	Administrative Works  Roxas DPP San Vicente PB 110 PB 116 Polilio Tingloy Kalamansig Ninoy Aquino PB 111	252,248,000.00	<ul style="list-style-type: none"> <li>• On going Procurement:</li> <li>• 1st- Failed Bidding as of 30 September 2014.</li> <li>• 2nd- Pre-procurement report scheduled on 19 November 2014.</li> <li>• For Technical Evaluation</li> </ul>	

13. Refleeting Boac DPP	(5 x 1000kW)	Administrative Works	152,000,000.00/ 72,500,000.00	<ul style="list-style-type: none"> <li>• Contract Request forwarded @ Logistics 07 October 2014</li> <li>• Pre-procurement schedule on 22 October 2014.</li> <li>• For updating of all documents needed for procurement b/c of adjustment of ABC.</li> <li>• For Bid Opening on 9 Dec. 2014</li> <li>• For Technical Evaluation</li> </ul>	
14. Modular Emergency Gensets	(10 x 300kW)	Administrative Works	49,213,000.00	<ul style="list-style-type: none"> <li>• Contract Request Form (CRF) forwarded to Logistics last 09 Sept. 2014.</li> <li>• For advertisement on 18 Oct. 2014</li> <li>• Bid opening on 10 Nov. 2014</li> <li>• For BAC agenda either on 18 or 20 Nov. 2014 (Post-qua report of TWG)</li> <li>• With PO</li> </ul>	
15. Modular Calamity Gensets	(22 x 160kW) (22 x 80 kW)	Administrative Works	113,000,000.00	<ul style="list-style-type: none"> <li>• For procurement process @ Logistics</li> <li>• TWG requested revision of the tender documents.</li> <li>• For reporting of result of Bidding.</li> </ul>	<ul style="list-style-type: none"> <li>• CRF forwarded to Logistics 07 October 2014</li> </ul>
16. Modular Gensets	(5 x 600 kW)	Administrative Works	57,000,000.00	<ul style="list-style-type: none"> <li>• Forwarded @ Logistics 07 October 2014</li> <li>• For procurement process @ Logistics on 24 October 2014.</li> <li>• For advertisement</li> <li>• For updating of all documents needed for procurement b/c of adjustment of ABC.</li> <li>• Pre-Bid on 13 Nov. 2014</li> <li>• Bid opening on 27 Nov. 2014</li> <li>• For LCB</li> </ul>	<ul style="list-style-type: none"> <li>• Follow-up procurement @ Logistics.</li> </ul>



<p>17. Fuel Oil Storage Tank (Schedule I, IV &amp; VI)</p>	<p>(2 x 60 m<sup>3</sup>) (1 x 60 m<sup>3</sup>) (1 x 10 m<sup>3</sup>) (1 x 10 m<sup>3</sup>)  (1 x 60 m<sup>3</sup>) (1 x 35 m<sup>3</sup>) (1 x 10 m<sup>3</sup>) (1 x 10 m<sup>3</sup>) (1 x 10 m<sup>3</sup>) (1 x 10 m<sup>3</sup>)  (1 x 60 m<sup>3</sup>) (1 x 35 m<sup>3</sup>)</p>	<p>Administrative Works <u>Schedule I</u> Itbayat Sabantang Balatubat Minabel <u>Schedule IV</u> San Antonio Capul Ilijan Lunang Takut Cabungaan <u>Schedule VI</u> Kalamansig Palimbang</p>	<p>36,849,000.00</p>	<ul style="list-style-type: none"> <li>• For re-bidding (Negotiated Procurement) on 27 Nov. 2014</li> <li>• BAC created the Negotiating Panel.</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-negotiation meeting on 12 Nov. 2014</li> </ul>
<p>18. Fuel Oil Storage Tank (Schedule I &amp; II)</p>	<p>(1 x 60 m<sup>3</sup>) (1 x 60 m<sup>3</sup>) (1 x 35 m<sup>3</sup>) (1 x 35 m<sup>3</sup>) (1 x 35 m<sup>3</sup>) (1 x 10 m<sup>3</sup>) (1 x 10 m<sup>3</sup>) (1 x 10 m<sup>3</sup>) (1 x 10 m<sup>3</sup>)  (1 x 35 m<sup>3</sup>) (1 x 10 m<sup>3</sup>) (1 x 10 m<sup>3</sup>) (1 x 10 m<sup>3</sup>) (1 x 10 m<sup>3</sup>) (1 x 10 m<sup>3</sup>)</p>	<p>Administrative Works <u>Schedule I</u> Biri Maripipi San Vicente Sto. Niño Almagro Biasong Costa Rica Batag Kirekite <u>Schedule II</u> Limasawa Sibolo Guiwanon Batbatan Libucan Cabul-an</p>	<p>39,863,000.00</p>	<ul style="list-style-type: none"> <li>• Procurement On-going @ Logistics</li> <li>• Bid opening on 22 October 2014.</li> <li>• No bidder on Schedule 2</li> <li>• Schedule 1- for evaluation of the lone bidder.</li> <li>• For re-bidding/advertisement on 28 Nov. 2014</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-bid Conference 11 November 2014</li> </ul>
<p>19. Oil Spill Boom</p>		<p>Administrative Works</p>		<ul style="list-style-type: none"> <li>• Mindanao submitted</li> </ul>	<ul style="list-style-type: none"> <li>• Awaiting feedback from concerned groups for the requirements per our memo.</li> <li>• Barges instructed to make PR - RGF to get copy of PR.</li> </ul>

20. Fuel Oil Storage Tank (BOAC)	(1 x 500 m <sup>3</sup> )	Administrative Works	7,371,527.77/ 6,929,000.00	<ul style="list-style-type: none"> <li>• With Notice of Award (NOA) to Houston Hydrotech Product &amp; System Inc. dated Aug. 28 &amp; confirmation on Sept 5, 2014.</li> <li>• Contract signed by OIC-VP, SPUG last 27 October 2014.</li> <li>• For implementation, PMD has no manpower to implement the project. Hence, OPD will implement.</li> <li>• Issued NTP on 20 October 2014.</li> </ul>	• Continuous follow-up @ Finance.
21. Design Expansion		<ul style="list-style-type: none"> <li>• Preparation of typical design drawings and technical specifications.</li> </ul>		<ul style="list-style-type: none"> <li>• Drawings &amp; BOQ</li> </ul> <p>Architectural, Electrical } Completed</p> <p>Civil, Mechanical } On-going</p>	• Deadline was extended due to intervening works.
22. Camandag Project	(1 x 100 kW)	Administrative Works	17,800,000.00/ 17,771,000.00	<ul style="list-style-type: none"> <li>• Bid/Tender Documents received last 30 September 2014.</li> <li>• CFA received 14 Nov. 2014 @BCSD</li> <li>• Pre-proc for reporting to BAC.</li> </ul>	
23. Calayan Powerhouse		Administrative Works	29,000,000.00/ 28,629,000.00	<ul style="list-style-type: none"> <li>• Bid/Tender Documents received last 27 August 2014.</li> <li>• @ BCSD</li> <li>• Pre-proc for reporting to BAC.</li> </ul>	• PR for signature and approval
24. Divilacan Distribution Line Extension	(1 x 200 kW) (13.8 kV)	Administrative Works Schedule I (1 x 200 kW)  Schedule II (13.8 kV)	86,700,000.00/ 86,862,000.00	<ul style="list-style-type: none"> <li>• On revision of Bid Docs.</li> </ul>	• PR for signature and approval

25. Solar Hybrid Projects (Masbate)		Administrative Works	5,000,000.00	<ul style="list-style-type: none"> <li>• On-going preparation of Bid Docs.</li> </ul>	
26. Limasawa		Administrative Works			<ul style="list-style-type: none"> <li>• Follow-up Letter to Gody for the Conceptual Design.</li> <li>- Technical Consultant c/o LFM.</li> </ul>
27. Mooring Facility of PB 120  - Dry docking of PB 120		Administrative Works		<ul style="list-style-type: none"> <li>• Bidding failure</li> <li>• With NTP</li> </ul>	

**DAMS**

**Dams Management Department  
Major Targets and Accomplishments for CY 2014**

PROGRAM COMPONENTS / ACTIVITIES			Status as of 31-Dec-14
1	<b>Dam structural/operational safety</b>		<b>Completed</b>
	1.1	Mandatory semi-annual dam safety inspections	
	1.1.1	Ambuklao and Binga	
	1.1.2	San Roque	
	1.1.3	Angat	
	1.1.4	Caliraya-Lumot	
	1.2	Independent third party dam safety inspection/ review/assessment at 5-year interval	
	1.2.1	Caliraya-Lumot preparation of Final Report	<b>Completed</b>

<b>2</b>	<b>"Information and Education Campaign" IEC</b>		<b>Completed</b>
	2.1	Angat	
	2.2	Ambuklao-Binga	
	2.3	San Roque	
	2.4	Caliraya-Lumot	
<b>NPC Corporate Program</b>			
<b>3</b>	Quality Management System Program		<b>On-going</b>
<b>4</b>	Risk Assessment Management Program (RAMP)		<b>On-going</b>
<b>5</b>	E-Geographic Instrumentation System		<b>On-going</b>
<b>Dams Reservoir Waterways Division (DRWD)</b>			
<b>6</b>	Dam Instrumentation Monitoring(OSP, weir,)		<b>Continuous Activity</b>
	Ambuklao, Binga, San Roque, Angat and Caliraya Dams		
<b>7</b>	Reservoir Operation Monitoring (inflow, Outflow, elev, rainfall)Ambuklao, Binga, San Roque, Angat and Caliraya Dams		<b>Continuous Activity</b>
<b>8</b>	Deformation Survey:		
	8.1	Angat Dam and Dyke	<b>Completed</b>
	8.2	Caliraya and Lumot	<b>Completed</b>
<b>9</b>	Maintenance Clearing of NPC Managed Dams:		
	9.1	Caliraya and Lumot Dams and Dykes	<b>Completed</b>
	9.2	Angat Dam and Dyke	<b>Completed</b>
<b>10</b>	Fencing and Restoration of Lumot Dam and Dykes		<b>Completed</b>
<b>FLOOD FORECASTING &amp; WARNING SYSTEM DIVISION (FFWSD)</b>			
<b>11</b>	Spillway Gate Testing		<b>Completed</b>
	11.1	Angat	
	11.2	San Roque	

	11.3	Caliraya		
	11.4	Ambuklao		
	11.5	Binga		
<b>12</b>	Data Banking & Quality Control Flood Forecasting & Warning Activities			<b>Continuous Activity</b>
<b>13</b>	Preventive Maintenance of Telemetry and Warning Equipment			
	13.1	Angat FFWSO		<b>Completed</b>
	13.2	Caliraya FFWSO		
	13.3	San Roque FFWSO		
	13.4	Ambuklao-Binga FFWSO (as per SNAP Schedule)		
<b>14</b>	Agno FFWS Work Order Implementation			
	14.1	Expansion of Warning System for San Roque FFWSO	-	<b>Bid Submission Dec 15, 2014</b>
	14.2	Restoration of Hydrological Monitoring of San Roque FFWSO	+	<b>Tender Docs revision</b>
	14.3	New VHF Communication Network for Amb-Binga FFWSO		<b>Completed</b>
<b>15</b>	Angat FFWS Work Order Implementation			
		Construction of Perimeter Fencing and Car Shed at Angat FFWSO Office	+	<b>On-going</b>

## **WATERSHED**

### ***Watershed Rehabilitation***

- Established a total area of **480 hectares** of open and denuded areas in various watershed areas through reforestation, agroforestry and non-timber forest resources management (i.e. bamboo and tiger grass plantation). This translates to an average of 300,000 seedlings of indigeneous forest and fruit bearing species produced and outplanted. Species includes narra, mosisi, dipterocarps (white lauan, apitong), banaba, guava, durian, manga, coffee, nangka, calliandra, kawayang tinik, among others. As of December 2013, a total of 3,188 hectares under the Universal Charge – Environmental Charge (UC-EC) fund. Details are as follows:

○ Angat	-	25	hectares
○ Lake Lanao-Agus	-	150	hectares
○ Pulangi	-	160	hectares
○ Pantabangan	-	25	hectares
○ Magat	-	70	hectares
○ Tiwi	-	<u>50</u>	hectares
○ <b>Total</b>	-	<b><u>480</u></b>	<b>hectares</b>

- Tree planting activities in partnership with various groups were also undertaken in 2014 such as with the NGCP, Philex Mining Corporation, San Roque Power Corporation, PNP/AFT, NPC Ladies Foundation, and multinational corporation through the Haribon Foundation, among others. A total of 524 hectares of open areas were rehabilitated in addition to the UC-EC funded projects.
- In support to the various rehabilitation projects and other environmental commitments of local groups to plant trees, the Department has embarked on the propagation of supplemental seedlings. More than 162,888 seedlings of various forestry species and fruit trees were produced/propagated for the rehabilitation projects, landholdings development and greening projects in partnership with other groups.

### ***Watershed Protection***

- Watershed protection and law enforcement through the “Bantay Gubat Patrol Program” has been launched in CY 2013 in the various watersheds under the NPC jurisdiction. Patrol operations including manning of checkpoints have been conducted jointly with other agencies like the DENR, PNP/military, LGUs and other groups together with the Bantay Watershed Task Force (BWTF) volunteers of NPC to ensure proper enforcement of forestry laws and regulation. This Program is carried out this year which resulted to the confiscation of illegally cut logs/lumber as mentioned below.
- A total of 13,239 board feet of lumber/timber, 130 sacks of wood charcoal, 6 conveyances have been confiscated by the joint operations of NPC, PNP/AFP, DENR, the LGUs and the BWTF volunteers (with 700 individuals from the 11 watersheds).
- Operationalization of the Caliraya-Lumot Watershed Ecological Community (CLWEC) with the conduct of the round table discussion with various stakeholders inside the Caliraya-Lumot Watershed Ecological Community (CLWEC) particularly the LGUs of CAvinti, Lumban and Kalayaan, Philippine Army, DENR, Department of Education, CBK Power Company Limited (CBKPCL), Caliraya Lake Conservation Society (CLCS), Caliraya Springs, Lagos Mountain Resort, Lagos del Sol Resort. This resulted to the formulation of guidelines on Rehabilitation; Education/IEC; Livelihood; Protection, Law Enforcement and Occupancy; Lake Safety; Water Quality and Waste Management; Ways and Means, Public Relations; and Tourism and Recreation to address various concerns inside CLWR.

### ***Corporate Social Responsibility Program***

- Dispersal of around **124,781 seedlings** (both forestry species and fruit trees) to various stakeholders, LGUs, academes and institutions and private organizations for their re-greening programs.

- Dispersal of **331 gilts** in the areas of Tiwi, Albay, Buhi (Camarines Sur) and Bokod, (Benguet) and 95 heads of goat in Pulangi Watershed. Animal dispersal is one of the activities of the Department aimed at uplifting the livelihood of local residents inside the watersheds.

### ***Information Dissemination Campaign (IEC)***

- Continuous implementation of Information, Education and Communication (IEC) activities are being undertaken by the Department such as TV and radio plugging and production and distribution of print materials such as poster, leaflets, flyers, brochures, calendars and billboards. Forty one (41) school lectures/film showing and 4,117 print materials conducted and produced.
- The Batang Kalikasan – Young Environment Champion (BK-YEC) Program among students from the elementary and high schools in Caliraya-Lumot Watershed Reservation (CLWR) is continuing. This Program is replicated in the other watersheds such as the Buhi-Barit, Tiwi and Makiling-Banahaw.

### ***Community Development and Extension***

- Conduct of various livelihood training to communities supporting and helping NPC in its endeavor of forest protection. A total of 16 livelihood trainings/seminars conducted;
- Continuing support fro technical assistance in the implementation of livelihood projects:
  - Ubi Production in Pantabangan-Carranglan Watershed
  - Pangasius Catfish Production in Matampay, Lanao del Sur
  - Abaca Fiber and Water Lily Handicraft Making in Lake Lanao – Agus
  - Tilapia Culture in Pod in Lanao del Sur
  - Water Hyacinth Handicraft Production (with shredder) in Brgy. Tubigon, Maramag, Bukidnon
  - Livestock Dispersal in Benguet, Pulangi, Buhi and Tiwi Watersheds' host communities
- Implementation of ***Lakbay Aral*** and educational tour to promote awareness on the importance of watersheds and its relation to climate change and best practices of similar projects which may be replicated in the UC-EC funded undertakings.

**POWER ENGINEERING SERVICES**

**Major Targets and Accomplishments under Power Engineering Services (PES)**

As of 31 December 2014

<b>Item No.</b>	<b>Project Title</b>	<b>Work Order No.</b>	<b>STATUS/ACCOMPLISHMENT</b>
<b>TRANSMISSION LINE PROJECTS</b>			
1	Supply and Erection/Installation of 138 kV Steel Towers and 69 kV Steel Poles for Taguilan, Colonia and San Agustin River Crossing (3.81 km.)	F301A01	Project completed last 26 September 2014. For compliance of the remaining documentary requirements.
2	Mobo-Aroroy "3" 69 KV T/L Rehabilitation Project (10.83 kms.)	1315A01	On-going implementation, 97.07% complete.
3	Mobo-Aroroy "1" & "2" 69KV T/L Project (32.59 kms.)	1315A02	On-going implementation, 25.37% complete.
4	Mobo-Cataingan "1" & "2" 69KV T/L Project, Schedule 1 (34.0 kms.)	1321A01	On-going implementation, 73.11% complete.
5	Mobo-Cataingan "1" & "2" 69KV T/L Project, Schedule 2 (42.0 kms.)	1321A02	On-going implementation, 52.05% complete.
<b>CAPACITY ADDITION PROJECTS</b>			
1	Supply, Delivery, Installation, Test & Commissioning of 14 x 600 KW Gensets for Various SPUG Areas	E800A01	Project construction completed last 01 May 2014. Completion of the punchlisted items are simultaneously scheduled with the repair /rehabilitation works by TPI/Perkins for the defective unit.
2	Supply, Delivery, Installation, Test & Commissioning of 300 KW and Below Gensets for Various SPUG Areas	I601A01	On-going implementation, 82.71% complete.
3	Supply, Delivery, Installation, Test and Commissioning for 10 x 600 KW Modular Gensets for Various SPUG Areas	K606A01	On-going implementation, 51.04% complete.
4	Supply , Delivery, Installation, Test and Commissioning for 3 x 1000 KW and Below Genset for Various SPUG Areas	1800A01	On-going implementation, 47.81 % complete.
<b>PLANT/FACILITIES BETTERMENT PROJECTS</b>			
1	Restoration of Mindanao Generation Building	K999Z18	Project is Substantially Completed, 95.82%.
2	Renovation of CMTSD Building	B185I02	On-going implementation, 82.66% complete.



## Status of NPC Projects under Power Engineering Services (PES)

As of 31 December 2014

Project Title	Description	Location	REMARKS
<b>A. PROJECT IMPLEMENTATION GROUP - CLUSTER A</b>			
<b>1. Codon-Virac 69kV T/L Project</b>	31.28 km., 69kV	Catanduanes	
a. ROW			
- Controllable			<ul style="list-style-type: none"> <li>• There are 35 remaining unpaid PAP's.</li> <li>• On-going Payment of lot owners.</li> </ul>
- Uncontrollable			<ul style="list-style-type: none"> <li>• On-going documentation/processing of documents for the filing of expropriation case for five (5) lot owners</li> </ul>
b. Construction			<ul style="list-style-type: none"> <li>• Notice to Proceed for confirmation of the contractor.</li> <li>• Check survey - 60%</li> </ul>
<b>2. S/D &amp; Const of Virac (Marinawa) S/S Project</b>		Catanduanes	
a. ROW			<ul style="list-style-type: none"> <li>• FICELCO Board President and the Gen. Manager have signed the Deed of Sale to NPC last 26 December 2014.</li> <li>• For issuance of endorsement from the National Electrification Administration for the release of the Deed of Sale.</li> </ul>
b. Construction	5MVA		<ul style="list-style-type: none"> <li>• Bid Submission/Opening conducted last 17 November 2014.</li> <li>• Award of Contract approved by the NP Board last 16 December 2014. Notice of Award already issued. Contract routed for signature.</li> </ul>
<b>3. Virac-San Miguel 69 kV T/L Project</b>		Catanduanes	
a. ROW	ROW Activities		<ul style="list-style-type: none"> <li>• For implementation upon completion of Parcellary survey</li> </ul>
b. Geological and Geotechnical Investigation Survey			<ul style="list-style-type: none"> <li>• Geological Investigation reports already submitted.</li> <li>• For processing of Final Billing.</li> </ul>

<p><b>4. Supply, Delivery, Test and Commissioning of 3 x 1000 KW Marinawa DPP</b></p>	<p>Diesel Gensets</p>	<p>Catanduanes</p>	<ul style="list-style-type: none"> <li>• For approval of submitted drawings.</li> <li>• Factory Acceptance Test (FAT) in China was conducted last 15 – 19 December 2014. Result of FAT under evaluation by PES-ESD.</li> <li>• Contract expired last 17 December 2014.</li> </ul>
<p><b>5. Supply, Delivery , Test and Commissioning for 300 KW and Below Genset for Various SPUG Areas</b></p>	<p>Diesel Gensets</p>	<p>Various SPUG AREAS</p>	<ul style="list-style-type: none"> <li>• Test and Commissioning activities for all plants cannot proceed unless issues/concerns raised by NPC regarding the discrepancies in engine and generator model are resolved by TPI. • Contract expired last 29 June 2014.</li> </ul>
<p><b>6. Mobo-Aroroy 69kV T/L Rehabilitation Project</b></p>	<p>43.42 km., 69 kV</p>	<p>Masbate</p>	
<p>a. ROW - Schedule I &amp; II - Schedule III</p>			<ul style="list-style-type: none"> <li>• ROW Activities completed.</li> <li>• On-going ROW Activities.</li> <li>• With only one remaining Lot owner under expropriation case.</li> </ul>
<p>b. Construction - Schedule I &amp; II  - Schedule III</p>	<p>32.59 km.  10.83 km.</p>		<ul style="list-style-type: none"> <li>• Construction on going</li> <li>• 25 .31 % completed</li> <li>• Request for Contract Time Extension under evaluation.</li> <li>• Contract expired last 07 December 2014.</li> <li>• On-going implementation.</li> <li>• Contract expired last 28 December 2013.</li> <li>• 40 Calendar Days Contract Time Extension already approved.</li> <li>• Preliminary Joint Final Inspection was conducted by PIC A-PMD, SPUG-CMOD and the Contractor last 01 August 2014. For conduct of Joint Final Inspection with QASD-ESD and DDD.</li> <li>• Delays due to non-issuance of cutting Permit from DENR and ROW problems with a landowner.</li> </ul>
<p><b>7. Mobo-Cataingan 69kV T/L Project (Schedule I &amp; II) "1"</b></p>	<p>76 km., 69kV</p>	<p>Masbate</p>	

a. ROW			<ul style="list-style-type: none"> <li>• On-going ROW Activities.</li> </ul>
b. Construction			<ul style="list-style-type: none"> <li>• On-going construction</li> <li>• Contract expired last 16 December 2014</li> <li>• Contractor is requesting for Contract Time Extension.</li> <li>• Delays due to late delivery of materials, minor ROW issues and non-issuance of Cutting Permit from DENR.</li> </ul>
<b>8. Mobo-Cataingan 69kV T/L Project (Schedule I &amp; II) "2"</b>		Masbate	
a. ROW			<ul style="list-style-type: none"> <li>• On-going ROW Activities.</li> </ul>
b. Construction			<ul style="list-style-type: none"> <li>• On-going construction.</li> <li>• Contract expiry is 05 January 2015.</li> <li>• Delays due to late delivery of materials, minor ROW issues and non-issuance of Cutting Permit from DENR.</li> </ul>
<b>9. Puerto Princesa – Roxas 138 kV T/L Project</b>	111.09 km., 138 kV	Palawan	<ul style="list-style-type: none"> <li>• Whole length of the transmission line cannot be energized due to uncompleted portions in Schedule I &amp; II due to issues on ROW.</li> </ul>
- Schedule I			
a. ROW	ROW Activities		<ul style="list-style-type: none"> <li>• Court Hearing for filed Expropriation Cases are scheduled for CY 2015.</li> </ul>
b. Construction			<ul style="list-style-type: none"> <li>• Terminated Contract: 07 June 2010</li> </ul>
- Schedule II			
a. ROW			<ul style="list-style-type: none"> <li>• Court Hearing for filed Expropriation Case is scheduled for CY 2015.</li> </ul>
b. Construction			<ul style="list-style-type: none"> <li>• Terminated Contract: 07 June 2010</li> </ul>
- Schedule III			
a. ROW	ROW Activities		<ul style="list-style-type: none"> <li>• ROW Negotiation and Payment <ul style="list-style-type: none"> <li>- Remaining ROW classified uncontrollable due to non-registration of ROW Grants executed by heirs of deceased landowners.</li> </ul> </li> </ul>
b. Construction			<ul style="list-style-type: none"> <li>• Completed but not yet energized.</li> </ul>

- Schedule IV			
a. ROW	ROW Activities		<ul style="list-style-type: none"> <li>• Remaining ROW classified uncontrollable due to non-registration of ROW Grants executed by heirs of deceased landowners.</li> </ul>
b. Construction			<ul style="list-style-type: none"> <li>• Completed but not yet energized.</li> </ul>
- Remaining Works of Puerto Princesa – Roxas 138 kV T/L	5 km., 138 kV		<ul style="list-style-type: none"> <li>• Bid Opening/Submission conducted last 01 October 2014. Award of Contract already approved by the NPC President.</li> <li>• For issuance of Notice of Award upon securing the Special Land Use Permit (SLUP) from DENR.</li> </ul>
<b>10. Roxas 69kV/5MVA Substation</b>	5 MVA	Roxas, Palawan	
a. Construction			<ul style="list-style-type: none"> <li>• Not in commercial operation pending the completion of Puerto Princesa-Roxas 138 kV T/L.</li> <li>• Final Billing already paid.</li> </ul>
<b>11. Abo-Abo-Quezon-Rizal 69 kV T/L Project</b>	78km.	Palawan	
a. Investigation (Route) and Parcellary Survey	Survey		<ul style="list-style-type: none"> <li>• Investigation Survey completed</li> <li>• Parcellary Survey on going.</li> </ul>
b. ROW	ROW Activities		<ul style="list-style-type: none"> <li>• For implementation upon completion of Parcellary Survey</li> </ul>
c. Geotechnical and Geological Investigation Survey	Geology		<ul style="list-style-type: none"> <li>• Post Qualification Report for presentation to BAC</li> </ul>
<b>12. Roxas-Taytay 69 kV T/L Project</b>		Palawan	
a. ROW			<ul style="list-style-type: none"> <li>• For implementation upon completion of Parcellary Survey.</li> <li>•</li> </ul>
b. Geological and Geotechnical Investigation	66 km.		<ul style="list-style-type: none"> <li>• On-going implementation.</li> </ul>
<b>13. Puerto-Narra 69 kV T/L Project</b>		Palawan	
a. Service Contract for the Parcellary Survey of the Remaining lots Affected	Survey		<ul style="list-style-type: none"> <li>• On-going implementation.</li> </ul>

b. ROW	ROW Activities		<ul style="list-style-type: none"> <li>• For implementation upon completion of Parcellary Survey.</li> </ul>
<b>14. Narra- Brookes 69 kV T/L Project</b>		Palawan	
a. Service Contract for the Parcellary Survey			<ul style="list-style-type: none"> <li>• Notice to Proceed: 21 November 2014</li> <li>• Preliminary meeting: 27 November 2014</li> </ul>
b. ROW	ROW Activities		<ul style="list-style-type: none"> <li>• For implementation upon completion of the Parcellary Survey.</li> </ul>
<b>15. Taytay- El Nido 69 kV T/L Project</b>		Palawan	
a. Service Contract for Engineering Survey	Survey		<ul style="list-style-type: none"> <li>• Bid Submission/Opening conducted last 18 December 2014. Bid result under evaluation.</li> </ul>
b. ROW	ROW Activities		<ul style="list-style-type: none"> <li>• For implementation upon completion of the Parcellary Survey.</li> </ul>
<b>PROJECT IMPLEMENTATION - CLUSTER B</b>			
<b>1. Supply, Delivery, Installation, Test &amp; Commissioning of 14 X 600 KW GenSets for Various SPUG Areas</b>	Civil, Electrical and Mechanical Works	Various SPUG Areas (Luzon, Visayas, Mindanao)	<ul style="list-style-type: none"> <li>• Project construction completed last 01 May 2014.</li> <li>• Completion of the punchlisted items are simultaneously scheduled with the repair /rehabilitation works by TPI/Perkins for the defective units.</li> </ul>
<b>2. Supply and Erection/ Installation of 138 kV Steel Towers and 69kV Steel Poles for Taguilan, Colonia and San Agustin River Crossings</b>	Dismantling and Erection of T/L	Occidental Mindoro	Project completed last 26 September 2014.
<b>3. Sta. Cruz-San Jose "3 &amp; 4" 69 kV T/L Project, Schedule II</b>	29.99 km, 69 kV	Occidental Mindoro	
a. Registration of ROW Grant			<ul style="list-style-type: none"> <li>• The project is delayed as the manpower for the work package were detailed to another assignment while present manpower is concentrated on the more critical projects such as the newly completed River Crossing Project and the re-bidding of Mamburao-Sab.</li> </ul>

<b>4. Calapan-Bansud 69kV T/L</b>	84.00 km, 69 kV	Oriental Mindoro	
a. Registration of ROW Grant (Initial 300 Affected Lots with complete documents)			<ul style="list-style-type: none"> <li>• ROW Activities was temporarily put on hold since 01 April 2014 due to concentration of works at Bansud-Mansalay-San Jose T/L and S/S projects.</li> </ul>
b. Parcellary Survey of Remaining Lots affected by existing Calapan-Bansud 69 kV Transmission Line Project	Parcellary Survey		<ul style="list-style-type: none"> <li>• Survey works on-going.</li> <li>• Percent accomplishment is only tentative pending approval of the Project Implementation Schedule.</li> </ul>
<b>5. Bansud-Mansalay 69 kV T/L</b>	69kV T/L Construction	Oriental Mindoro	
a. ROW			<ul style="list-style-type: none"> <li>• On-going ROW acquisition.</li> </ul>
<b>6. Mansalay-San Jose 69kV T/L Project</b>		Oriental/ Occidental Mindoro	
a. ROW			<ul style="list-style-type: none"> <li>• On-going ROW acquisition.</li> </ul>
<b>7. Mamburao - Sablayan - Ligaya 69 kV T/L</b>	69kV T/L Rehabilitation	Occidental Mindoro	
a. ROW			<ul style="list-style-type: none"> <li>• Remaining ROW activities not yet completed due to lack of manpower complement and issue on Proof of Ownership of affected lots.</li> </ul>
b. Construction			<ul style="list-style-type: none"> <li>• For issuance of Notice of Award and Notice to Proceed.</li> </ul>
<b>8. Mansalay S/S Project</b>		Oriental Mindoro	
a. ROW Acquisition			<ul style="list-style-type: none"> <li>• On-going negotiation with the landowner for land acquisition.</li> <li>• Preparation of document for the filing of expropriation case.</li> </ul>
<b>C. PROJECT IMPLEMENTATION GROUP - CLUSTER C</b>			
<b>1. Pulangi IV Dredging Restoration of Headworks Area Phase 1</b>	Restoration/ Rehabilitation	Bukidnon	<ul style="list-style-type: none"> <li>• Project Completed.</li> <li>• The Contractor insists on their claim of dredging accomplishment of about 411,294.00 cu.m., NPC's evaluation is only 176,519.00 cu.m.</li> <li>• FFCl in its letter dated 18 November 2013, is again requesting payment of its Final Billing</li> </ul>

2. <b>Restoration of Mindanao Generation Building</b>	Restoration/ Rehabilitation	Ditucalan, Iligan City	<ul style="list-style-type: none"> <li>• On-going implementation. Project is substantially completed .</li> </ul>
3. <b>Renovation of CMTSD Building</b>		Ditucalan, Iligan City	<ul style="list-style-type: none"> <li>• On-going implementation. The Contractor's request for Contract Time Extension (due to unfavorable weather condition, additional works, etc.) is under evaluation by NPC.</li> </ul>
4. <b>Supply/Delivery, Installation, Test and Commissioning of Gensets, 10x600 KW</b>		Various	<ul style="list-style-type: none"> <li>• On-going implementation. On-going mounting/installation works.</li> <li>• Contract expired last 30 October 2014.</li> </ul>

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### 3. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Financial Statement Preparation**

The accompanying financial statements of NPC are prepared and presented in accordance with the accounting principles and standards presently accepted in the Philippines under the historical cost basis, except for property, plant and equipment, which are carried in the balance sheet at revalued amounts.

Pursuant to the provisions on the *Scope and Authority*, paragraph 7 of the Preface to Philippine Financial Reporting Standards, PFRS are designed to apply to the general purpose financial statements and other financial reporting of *all profit-oriented entities*. Hence, NPC, being a GOCC of non-profit character, may not be subject to the full compliance with the same, in its strict sense. Nevertheless, the following PFRS/Philippine Accounting Standards (PAS), as appropriate, were adopted and made the basis, in the preparation of the Financial Statements in order to achieve the primary objective of fairly presenting the Corporation's financial condition, results of operation and cash flow, in so far as practicable and consistent with the standards and principles consistently applied pursuant to the former SFAS/IAS, which are now governed by PFRS/PAS.

#### **Utility Plant and Depreciation**

Utility Plant is carried in the books at appraised values except for additions during the year which are recorded at cost. These assets are revalued in consonance with NPC's loan covenants with creditor banks and in pursuance to Philippine Accounting Standards (PAS) No. 16, which permits revaluation of properties, plant and equipment. Land and landholdings, which include all the cost of land and land rights used in connection with power generation and transmission, are also included in the revaluation.

Regular annual maintenance, repairs and minor replacements are charged to expense as they are incurred, whereas major maintenance, which is done on periodic three-to

five-year intervals, is deferred, amortized and charged to operations over the number of years' interval. Rehabilitation expenditure which would result in improvement of the plant's efficiency beyond five years are capitalized and transferred to plant cost upon completion of work orders.

Depreciation of fixed assets is charged from the date of acquisition of the fixed assets or after the completion of works. Depreciation based on depreciable values is computed using the straight line (SL) method pursuant to NPC Board Resolution No. 94-58 effective 1994, based on estimated economic lives as shown below:

Type of Plant	Economic Life
1. Diesel Plants and Barges	20
2. Transmission Lines	30

### **Appraisal of Utility Plants**

Electric Plants in Service are recorded at appraised values in pursuance to PAS No.16 which permits the appraisal of property, plant and equipment.

An independent appraiser conducts the review and appraisal of NPC's assets once every four years. In the interim, NPC undertakes the internal revaluation which is adjusted when there are variances between the internally appraised figures and those arrived at by the independent appraisers. The last external revaluation of NPC assets was done by Resource Management International Inc. (RMII) in 1996. In 1997 and 1998, NPC applied 6% and 8% trending factors respectively for the internal revaluation.

The difference between the new over the old appraised values is recorded under the Appraisal Capital account. This account is treated as a permanent account and is not diminished by any depreciation charges.

The last revaluation of generation asset was made in 1996 and has not been updated to date. Considering the exemptions allowed under IFRS 1, paragraph 16-19, the Corporation may establish such revalued amounts of the generation assets as "deemed cost" in line with the ongoing privatization of the NPC's plants.

### **Capitalization of Interest**

Interests incurred on external borrowings which relate to capital projects in progress and prior to the commencement of operation are capitalized.

### **Allocation of Support Group Income and Expenses**

Income and expenses of the Support Services Group are allocated among operating plants and construction. The allocation rate is based on the extent of support services rendered to operations and capital projects. The present ratio of operating expenses to capital expenses of NPC is 94/6. Cost Center services that cannot be clearly classified, as well as expenses identified as having no direct effect to projects, are treated as one hundred percent operating expenses.



## **Investments**

Local Investments are recorded at face value. Investments in foreign currency are recorded in compliance with PAS 21 using Bangko Sentral ng Pilipinas (BSP) guiding rate at the date of the transaction. Balances are reported using the closing rate at each Balance Sheet date.

Interest earnings on placements follow the accrual method of accounting.

## **Receivables and Allowance for Doubtful Accounts**

Power and other receivables are stated net of allowance for doubtful accounts. Allowances are determined through the specific identification of uncollectible accounts.

## **Materials and Supplies for Operation**

Materials and supplies (M & S) for operation are categorized as fuel (and its related products) and non-fuel. The Fuel M & S are composed of the fuel oil, diesel, coal & thermal chemical stocks used by NPC plants for power generation. These inventories are valued using the weighted average method. The change in accounting treatment for Fuel M & S that is from Last-in-First-out (LIFO) to weighted average method has been made effective on January 1, 2006 in compliance with PAS 2 for "Inventories".

The non-Fuel M & S, on the other hand, are valued using the moving average method and can be further broken down into the non-fuel M & S of NPC plants and areas and those non-Fuel M & S assigned to private IPPs.

The non-Fuel M & S of NPC plants and areas represent basically the materials, supplies and equipment received by NPC property custodian for use in operations; while non-Fuel M & S assigned to private IPPs, which are included in the Asset in Trust account, includes spares, materials and supplies transferred to private contractors as stipulated in the individual contracts.

## **Taxes and Duties**

With the enactment of R.A. 9337, otherwise known as the Reformed Value-Added Tax (RVAT) Law of 2005, which took effect on November 1, 2005, NPC's purchases of fuel and purchased power as well as its sale of electricity are subjected to VAT specifically stated under Sec. 24(A) of R.A. 9337 repealing Section 13 of R.A. No. 6395 on the exemption from VAT of the National Power Corporation. Effective February 1, 2006, the value-added tax rate increased from 10% to 12% pursuant to Revenue Memorandum Circular No. 7-2006 dated January 1, 2006.

## **Accounting for Foreign Exchange Transactions**

In compliance with PAS 21 which was made effective January 1, 2005, transactions denominated in foreign currencies are recorded at BSP Guiding Rate at the date of the transaction. Foreign exchange differentials resulting from these transactions are recorded as project cost for projects under construction while differentials pertaining to operating plants are recorded as Gain/Loss on Foreign Exchange Fluctuations.

Outstanding payable accounts are reported using the closing rate at each Balance Sheet date.

### **Accounting for Donated Assets**

NPC adopts the capital approach under Paragraph 14 of PAS 20 – Accounting for Government Grants and Disclosure of Government Assistance in recognizing donated power plants that expand the asset base regardless of whether from government or private entity. The fair values of the plants are recorded as Donated Capital under Equity, which will be reduced by annual depreciation.

### **Income Determination**

The Corporation uses the accrual method of accounting for income and expenses and an all inclusive concept of income determination wherein all ordinary and extraordinary items pertaining to current period are considered in computing net income while items applicable to prior periods are recorded as adjustment of prior years' income and are reflected in the Statement of Changes in Equity.

### **Accounting for Taxes and Duties on Importation**

Taxes and duties on imported materials and equipment intended for projects are recorded as part of project costs, while taxes and duties on materials and equipment for operation are expensed as incurred.

### **Composition of Rate Base**

Rate Base is the average value of the net fixed assets in operation at the beginning and at the end of each year. The value of net fixed assets in operation equals the gross value of the operating assets less the amount of accumulated depreciation.

Plants undergoing major rehabilitation/repair and which are out of operation for less than one calendar year are included in the computation of Rate Base.

### **Accounting for Subsidy from National Government (Income Approach)**

As per Philippine Accounting Standards (PAS) 20/IAS 20- Item No. 12. Government grants shall be recognized in profit or loss on a systematic basis over the period in which the entity recognized as expenses the related cost for which the grants are intended to compensate.

### **Rental/Lease of Generating Set**

Payment for lease of generating sets to suppliers/contractors that augment the existing power plant capacity and sustain the demands of power customers

In case of the undelivered portion of the net generating capacity under the terms of the generating set lease contract the supplier/contractor shall be subjected to penalties for capacity shortfall. Likewise over-consumption of fuel based on agreed fuel cap curve limit shall also be subjected to penalties for excess fuel rate.

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#### 4. UTILITY PLANT

This account consists of the following

	Hydraulic Production Plant	Other Production Plant	Transmission Plant	Distribution Plant	Others	Total
<b>Cost</b>						
Beginning	72,111,563	10,487,525,577	5,112,424,308	487,186,749	1,967,275,731	18,126,523,928
Additions	-	-	235,159	-	1,011,765,962	1,012,001,121
Adjustments		(166,787,701)	(576,580)	(1,789,346)	194,590	(168,959,037)
<b>Ending</b>	<b>72,111,563</b>	<b>10,320,737,876</b>	<b>5,112,082,887</b>	<b>485,397,403</b>	<b>2,979,236,283</b>	<b>18,969,566,012</b>
<b>Accumulated Depreciation/Depletion</b>						
Beginning	42,863,298	7,900,678,662	2,069,503,357	110,921,930	1,204,255,821	11,328,223,068
Additions	-	-	160,868,461	19,168,426	676,494,558	856,531,445
Adjustments	-	(27,968,540)	1,421,773	(228,147)	(7,922,,854)	(34,697,768)
<b>Ending</b>	<b>42,863,298</b>	<b>7,872,710,122</b>	<b>2,231,793,591</b>	<b>129,862,209</b>	<b>1,872,827,525</b>	<b>12,150,056,745</b>
<b>Carrying Value December 31, 2014</b>	<b>29,248,265</b>	<b>2,448,027,754</b>	<b>2,880,289,296</b>	<b>355,535,194</b>	<b>1,106,408,758</b>	<b>6,819,579,267</b>
<b>Carrying Value December 31, 2013</b>	<b>29,248,265</b>	<b>2,586,846,915</b>	<b>3,042,920,951</b>	<b>376,264,819</b>	<b>763,019,910</b>	<b>6,798,300,860</b>

The **increase** pertains to the Memorandum of Agreement (Deed of Transfer) executed between PSALM and NPC transferring the ownership of NPC Main Office Bldg. and lot in favor of NPC with Transfer Certificate Title No. N326294, Tax Declaration Nos. E-084-05425, E-084-02107 and E-084-02093; reclassification of Manila Engineering Center from Non-Utility Property account to Other Utility Plant account and the transfer of Other Utility Plants from PSALM to NPC account as part of the cleaning of the assets accounts under the Temporary Registry Accounts (TRA) as agreed between PSALM and NPC;

Likewise, the increase was partly offset by the dropped off Polar Barge (Fels Fuel Barge) from the books which was sold on April 2005; the transfer of Power Barge 111 and Lubuagan Diesel Plant which are non-operating to Non-Utility Property account and the reclassification of NPC Office Bldg. in Port Area previously booked under Electric Plant in Service account to Other Utility Plant account.

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#### 5. CONSTRUCTION WORK IN PROGRESS (CWIP)

This account consists of the following:

	2014	2013
CWIP – Work Order	<b>1,516,564,768</b>	1,218,736,907
	<b>1,516,564,768</b>	1,218,736,907

**CWIP – Work Order** refers to the costs of projects under construction, while **CWIP – Materials & Supplies** represents stock inventory intended for projects which are still in the custody of project custodians or are in transit.

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## 6. NON-UTILITY PROPERTY

Non-utility property account consists of the following:

	2014	2013
Cost of Non-Utility Property	526,942,179	1,282,659,471
Accumulated Depreciation	(440,860,829)	(1,149,433,221)
Net Book Value	86,081,350	133,226,250

This amount pertains to other properties and equipments owned by the Corporation but are not used in utility operations. The **Decrease** pertains to dropped off Power Barge 105 from the books which was damaged by fire on June 2006. The proceeds of insurance claims was received from GSIS on May 2014; and reclassification of Manila Engineering Center from non-utility property to Other Utility Plant account.

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## 7. NON-CURRENT RECEIVABLES

	2014	2013
Non-Current Power Receivables	1,893,097,255	1,917,595,152

The account represents the long-term portion of the restructured accounts of power customers in accordance with memorandum of agreements executed by and between NPC and the power customers.

The **decrease** in this account is due to:

- a. Reclassification from non-current Power Receivables account to Restructured Power Receivables amounting to P46.486Mn of the following power customers namely: Masbate Electric Cooperative, Inc. (MASELCO), Cagayan Electric Cooperative, Marinduque Electric Cooperative, Occidental Mindoro Electric Cooperative, Siasi Electric Cooperative and Ticao Island Electric Cooperative due to non moving accounts from January 2014 to November 2014.

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## 8. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2014	2013
Restricted Cash	3,981,203	3,981,203
Stock for Disposal	5,122,233	1,430,780
	9,103,436	5,411,983

The **Restricted Cash** account pertains to the funds intended for purposes other than current operations and therefore, not immediately available to management for any disbursement transactions other than its specified purpose. The increase in stock for disposal pertains to Other Utility Plants items which were transferred to Stock for Disposal account.

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## 9. CASH & CASH EQUIVALENTS

This account composed of the following:

	2014	2013
Cash in Bank	679,518,101	623,566,999
Working Fund	31,095,717	8,480,006
Temporary Investments	5,977,000,000	4,883,297,336
	<b>6,687,613,818</b>	<b>5,515,344,341</b>

The **increase in Cash in Bank** pertains to the released of CY 2013 NG Subsidy (balance) per approved SARO Nos. F-13-0017603, F-13-01332 and partial of CY2014 NG Subsidy per SARO No. F-14-0005155 in the total amount of ₱1.063 billion, the undisbursed funds were placed in short term investment due to under process of documents for the payment CAPEX and operation and maintenance of Small Power Utilities power as of the balance sheet date; further increases also attributed to the receipt of allocation of UCME for CY 2014 from PSALM.

The **increase in Temporary Investments & Working Fund** attributed to the released of NG Subsidy and the funds intended for payment of fuel payables and other financial obligations which are under process as of the balance sheet date.

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## 10. POWER RECEIVABLES

Receivables from power customers consist of the following:

	2014	2013
Power Receivables	4,311,352,397	3,874,065,108
Accrued Utility Revenue	172,108,426	482,025,666
Restructured Power Receivables	78,132,889	51,082,252
Due from Other Agency	4,573,069,094	3,831,829,882
	<b>9,134,662,806</b>	<b>8,239,002,908</b>
Allowance for Bad Debts	<b>(2,126,246,049)</b>	<b>(1,505,853,212)</b>
	<b>7,008,416,757</b>	<b>6,733,149,696</b>

The **increase in Power Receivables** is due to build up/increase of outstanding balance of ARMM Customers by P442 million.

The **decrease in Accrued Utility Revenue** is mainly the result of monthly billing to power customers and no set up for CY 2014.

The **increase in Restructured Accounts** pertains to set-up of CY 2015 current restructured account of MARECO, MASELCO, CAGELCO, OMECO, TICELCO, SIASELCO and PALECO.

The **increase in Due From Other Agency** represents receivables from PSALM pertaining to UCME which is due for remittance to NPC.

**Increase of Allowance for Bad Debts** is due to new estimates on the Provisions for Bad Debts using the following composite rates:

- 50 percent of power receivables aged over 5 years
- 40 percent of power receivables aged over 2 years to 5 years
- 30 percent of power receivables aged over 1 year to 2 years
- 20percent of power receivables aged over 6 months to 1 year

The estimate is based on the amount of Bad Debts experienced in past years as a percentage.

Change in Accounting Estimate is applied in the computation of allowance for Bad Debts (ref: PAS (vol. 2) IAS 8 page 16 & 17.(volume).

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## 11. OTHER RECEIVABLES

This account consists of the following:

	2014	2013
Interest Receivable	592,114,244	505,391,681
Rent Receivable	324,405	473,214
Receivable from the National Gov't.	47,518,921	18,486,282
Receivable from Officers & Employees	6,657,965	7,159,446
Accounts Receivable – Others	2,600,152,133	1,648,755,624
Output Tax Receivable	665,871,002	611,857,917
Input Tax Credit on Non-Depr. Capital	3,232,610,507	2,451,857,806
Input Tax Credit on Depreciable Capital	6,682,651	5,520,819
	<b>7,151,931,828</b>	5,249,502,789
Allowance for Bad Debts	<b>(2,357,364)</b>	(2,357,364)
	<b>7,149,574,464</b>	5,247,145,425

**The increase in Accounts Receivables – Others account** is mainly attributed to the approved NG subsidy per SARO No. F 41-00051552 amounting to ₱2 billion with partial released of funds amounting to ₱242 million.

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## 12. MATERIALS AND SUPPLIES FOR OPERATION

This account consists of the following:

	2014	2013
Gasoline	159,874	192,633

Diesel-	476,026,728	430,219,295
Stock Transfer-Clearing Accounts	31,181,336	17,828,204
Materials, Supplies and Equipment	505,012,141	397,034,633
Fuel Oil	28,282,656	24,797,606
Thermal Chemicals	422,035	633,790
MSE in Transit - Operating Plants	134,154,631	136,733,837
Materials & Supplies Temporary Adjustment	56,848,834	56,633,776
Other Oil Products	19,176,949	257,769
	<b>1,251,265,184</b>	<b>1,089,331,543</b>

### 13. ADVANCES AND PREPAYMENTS AND DEPOSITS

This account consists of the following:

	2014	2013
<b>Advances and Prepayments</b>		
Advances to Gov't. Bodies & Institutions	378,093	378,093
Advances to Contractors /Prepaid Charges	71,640,839	36,462,298
Marginal & Guaranty Deposits	452,951	521,651
	<b>72,471,883</b>	<b>37,362,042</b>
<b>Court and Other Deposits</b>		
Advances for Medical Group Life Ins.	6,838,672	11,443,732
Court and Other Deposits	29,632,599	7,405,266
Other Advances	18,831,897	7,277,960
	<b>55,303,168</b>	<b>26,126,958</b>
Cash Advances to Officers and Employees	47,501	52,254
	<b>127,822,552</b>	<b>63,541,254</b>

The **increase in Advances to Contractors/Prepaid Charges** is mainly due to the payment of mobilization expenses with DMCI, FABMIK Const. & Equipment Co. Inc., Metalite Builders Dev. Power Dimension Incorporated and Thermo Power Incorporated for Work Order Nos. I321A01, I313A01, I315A02, E610A01, E610A02, E610A03, 4700400, I601A01 and K606A01.

**Advances for Medical & Medical Group Life Insurance** refers to the advance payment to insurance companies of employees' medical benefits which are subject to reimbursement through salary deductions.

**Court and Other Deposits** refers to the impending compliance of Occidental Mindoro Electric Cooperative's (OMECECO) to the Notice of Garnishment issued in the CC No. Q-1170129, Chona Dimayuga vs. NPC payment of power bills.

**The increase in Other Advances** pertains to the payment of insurance premiums for Motor Vehicles, Marine Cargo and Marine Hull Insurance Policy with GSIS.

## 14. TRUST ACCOUNTS

**Trust Assets (PSALM)** pertains to balances of accounts set-up as working capital for the operation, maintenance and management of the facilities and generation plants of the main grid under the OMA, details as follows:

	2014	2013
Net Utility Plant	1,667,615,994	0
Total Investments & Other Assets	1,350,612,221	1,363,946,205
Cash and Cash Equivalents	570,969,662	604,187,954
Materials and Supplies for Operation	4,471,273,758	5,306,429,164
Prepayments	633,520	895,167
Court and Other Deposits	317,374	9,932,333
Cash Advances - Officers and Employees	276,788	20,044
Other Receivables	4,343,828	5,144,383
	<b>8,066,043,145</b>	<b>7,290,555,250</b>

**Trust Liability - (PSALM)** represents the corresponding liability to PSALM for the Trust Assets.

## 15. TEMPORARY REGISTRY ACCOUNTS

Temporary Registry Accounts consist of the following:

	2014	2013
Retained PSALM Accounts	735,068,451	1,772,692,840
Retained Transco Accounts	1,848,501,658	1,848,501,658
	<b>2,583,570,109</b>	<b>3,621,194,498</b>

Details as follows:

	RETAINED PSALM ACCOUNTS	RETAINED TRANSCO ACCOUNTS
UTILITY PLANT at Appraised Values	1,861,413	2,544,297
Accumulated Depreciation & Depletion	0	(1,053,723)
Construction Work in Progress	733,204,909	1,023,183,912
<b>TOTAL UTILITY PLANT</b>	<b>735,066,322</b>	<b>1,024,674,486</b>
Investment in government & Other Corporation	0	36,262
Non-Utility Property - NET	0	500,899,936
Accounts and Other Receivables - NET	0	404,192
Other Assets	0	1,000,331
<b>TOTAL INVESTMENTS &amp; OTHER ASSETS</b>	<b>0</b>	<b>502,340,721</b>
Cash & Cash Equivalent	0	5,064,981
Other Receivables	0	8,064,153
Materials & Supplies for Operation	0	289,198,542
Advances	0	2,624,243
Prepayments	0	14,857
Court & Other Deposits	0	5,797,624
Cash Advances - Officers & Employees	0	10,454



<b>TOTAL CURRENT ASSETS</b>	<b>0</b>	<b>310,774,854</b>
<b>DEFERRED CHARGES</b>	<b>2,129</b>	<b>3,040,786</b>
<b>CONTINGENT ASSETS</b>	<b>0</b>	<b>7,670,811</b>
<b>TOTAL ASSETS</b>	<b>735,068,451</b>	<b>1,848,501,658</b>
<b>PROPRIETARY CAPITAL &amp; LIABILITIES</b>		
Retained Earnings	(40,257,431,205)	1,583,316,610
Appraisal Capital	(57,438)	0
Contingent Surplus	0	7,670,811
<b>TOTAL PROPRIETARY CAPITAL</b>	<b>(40,257,488,643)</b>	<b>1,590,987,421</b>
<b>LONG TERM DEBTS (Net of Current Portion)</b>	<b>40,992,590,278</b>	<b>0</b>
Accounts Payable and Accrued Expense	0	72,344,024
Retention on Contract Payments	0	158,093,550
Deposits and Trust Funds	0	1,100,215
<b>TOTAL CURRENT LIABILITIES</b>	<b>0</b>	<b>231,537,790</b>
<b>DEFERRED CREDITS</b>	<b>(33,184)</b>	<b>25,976,448</b>
<b>TOTAL PROPRIETARY CAPITAL &amp; LIABILITIES</b>	<b>735,068,451</b>	<b>1,848,501,658</b>

*Retained PSALM and Transco Accounts* consist of account balances retained at NPC by PSALM and TRANSCO as of the asset-debt transfer to PSALM and separation of TRANSCO books effective October 1, 2008, which are for further validation, reconciliation, adjustments and final transfer to PSALM, TRANSCO and/or NPC, as the case maybe.

## 16. DONATED CAPITAL

	<b>2014</b>	2013
Donated Capital	<b>2,906,505</b>	3,051,866

The decrease of the **Donated Capital Account** pertains to its amortization over the remaining life of the assets under the Equity Method for grant, partly offset by the additional donated capital from Sitangkay Diesel Power Plant.

## 17. RETAINED EARNINGS

The improvement of Retained Earnings is mainly the result of improved financial performance attributed to the implementation of ERC's approval of the True-Up Adjustment of UCME Subsidy for CY2010 and CY2011 and basic UCME for CY2014.

### APPROPRIATED RETAINED EARNINGS – SINKING FUND

As provided for in Section 8, item (a) of NPC Charter (R.A. 6395 as amended), the Corporation shall set aside five per centum (5%) of its annual net operating revenue before interest as reserve or sinking fund to answer for amount advanced to it by the National Government for any loan, credit and indebtedness contracted by the former the latter shall be held answerable as primary obligor or guarantor. The sinking fund

reported for CY2014 amounting to P187.195 million represents the 5% of the net operating revenue of 2013 (P120.958 million) and 2012 (P66.237 million).

## 18. APPRAISAL CAPITAL

	2014	2013
Appraisal Capital	<b>2,216,090,285</b>	2,222,302,246

The **decrease in Appraisal Capital** pertains to the revaluation of Power Barge 105, Polar Barge, one unit of 260kw generating set from Sitangkay Diesel Power Plant which were dropped off from the books.

## 19. LONG-TERM DEBTS/ CURRENT PORTION

This account consists of the outstanding foreign borrowings as follows:

CREDITOR/PROJECT	Maturities	Interest Rates	2014	2013
Natixis / Credit National				
Project-PRES Proj. of SPUG	2016 to 2031	Fixed at 0.40%	<b>570,456,474</b>	638,453,744
Banque Paribas				
Project-PRES Proj. of SPUG	2009 to 2019	Fixed at 5.09%	<b>148,414,767</b>	213,564,230
			<b>718,871,241</b>	852,017,974

Year-end BSP guiding rates:

		December 31, 2014	December 31, 2013
Dollar	USD 1	<b>44.617</b>	44.414
Euro	EUR 1	<b>54.339</b>	60.8161

### CURRENT PORTION:

CREDITOR/PROJECT	Maturities	Interest Rates	2014	2013
Natixis/Credit National				
Project-PRES Proj. of SPUG	2016to 2031	Fixed at 0.40%	<b>0.00</b>	0.00
Banque Paribas				
Project-PRES Proj. of SPUG	2009 to 2019	Fixed at 5.09%	<b>42,404,222</b>	47,458,721
			<b>42,404,222</b>	47,458,721

## 20. ACCOUNTS PAYABLES AND ACCRUED EXPENSES

This account consist the following payables:

	2014	2013
Financial Assistance/Benefits Payable	<b>14,048,961</b>	41,121,510
Gasoline and Other Oil Products Payable	<b>20,309,586</b>	22,175,266

Fuel Payable	<b>938,372,670</b>	1,144,357,315
M & S Equipment Payables	<b>179,277,985</b>	107,324,060
Accounts Payable - Others	<b>318,393,214</b>	292,961,792
Check Vouchers Payable	<b>779,688,948</b>	726,872,350
Certified Obligations - Suppliers and Contractors	<b>1,209,092,405</b>	917,888,192
Certified Obligations - NPC Employees	<b>235,684,346</b>	239,768,670
Accrued Salaries and Wages	<b>98,504,748</b>	97,916,171
Interest Payable - Fuel	<b>1,862</b>	0
GSIS Premiums and Loan Payable	<b>11,993,006</b>	19,343,480
Phil Health Insurance Payable	<b>1,193,600</b>	1,397,540
HDMF Contributions & Loans Payable	<b>2,322,160</b>	1,821,809
Medical Insurance Premiums Payable	<b>1,307</b>	24,790
Cash Vouchers Payable	<b>46,419,312</b>	7,438,008
Due to Other Agency	<b>9,051,125</b>	8,671,976
Output Tax Payable	<b>774,494,302</b>	1,733,875,910
	<b>4,638,849,537</b>	4,372,958,839

The **increase** pertains to the payables due to suppliers and contractors processing of payments are under process as of the balance sheet date.

## 21. RETENTION ON CONTRACT OF PAYMENTS

	<b>2014</b>	2013
Retention on Contract of Payments	<b>110,216,731</b>	88,200,820

The **increase** pertains to 10% retention for various work orders/purchase orders/contracts due to suppliers and contractors namely: DMCI, Engine Link International Co., Metalite Builders Dev. Co., Power Dimension, Incorporated, S.L. Dev. & Const. Corp and Taiyo Enterprises.

## 22. DEFERRED CREDITS

	<b>2014</b>	2013
Provision for Vacation and Sick Leave	<b>564,929,608</b>	571,030,542
Unearned Interest Income – (Non-Current)	<b>100,795,547</b>	135,805,013
Other Deferred Credits	<b>1,006,671,388</b>	7,302,632
	<b>1,672,396,543</b>	714,138,187

**Provision for Vacation and Sick Leave** pertains mainly to accrued leave benefits of employees in compliance with PAS no.19 which requires that short term employee benefits, including paid annual vacation leave and sick leave, be recognized as either a liability or expensed on the period they were incurred.

**Unearned Interest Income – (Non-Current)** pertains to the new set-up of interest charges due on the restructured accounts.

**Other Deferred Credits** - pertains to the P1 billion NG Subsidy from the total approved P2 billion SARO No. F 41-00051552.

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## 23. DEPOSITS AND TRUST FUNDS

	2014	2013
<b>Deposits and Trust Funds</b>	<b>50,220,656</b>	31,450,797

*Deposits and Trust Funds* account mainly includes amounts received and segregated for the execution of specific projects or contracts. It also includes the amounts deposited/advanced by suppliers, contractors and power customers to the Corporation.

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## 24. a. UNIVERSAL CHARGE

	2014	2013
<b>Universal Charge</b>	<b>8,696,594,212</b>	7,443,873,876

Section 34 of the EPIRA provides that a Universal Charge (UC) to be determined, fixed and approved by the Energy Regulatory Commission (ERC) shall be imposed on all end – users for the (a) payment of stranded debts and contract costs; (b) missionary electrification; (c) equalization of taxes and royalties; (d) environmental charge; and (e) cross subsidies.

The UC shall be a non – by passable charge which shall be passed on and collected from end – users on a monthly basis by the distribution utilities to be remitted to PSALM, the administrator of the Fund.

The UC for missionary electrification shall provide funds for the operation of the NPC – SPUG, together with the sales from the missionary areas. On the other hand, the UC for environmental charge, which is equivalent to one – fourth of one centavo per kilowatt – hour (P0.0025/kwh), shall accrue to an environmental fund to be used solely for watershed rehabilitation and management and shall be managed by NPC under existing agreements.

In August 12 2013 the Energy Regulatory Commission (ERC) issued the Decision for True-Up Adjustment of UCME Subsidy for CY 2011. The total approved amount was P4.65 billion or P0.0709/kwh effective December 26, 2013. The Commission also approved the same decision, which was the basic UCME of ₱2.7Bn for CY 2014. Last October 19, 2013, ERC issued the Decision for True-Up Adjustment of UCME Subsidy for CY 2010 amounting to ₱2.57Bn or ₱0.0381/kwh effective December 26, 2013. The implementation of ERC's approval in CY2014 improved NPC's revenue from Universal Charges.

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## 24. b. GENERATION EXPENSES

This account consists of the following expenses for the power generation:

	2014	2013
Fuel & Additives	<b>4,468,451,548</b>	4,469,595,266
Operation of Hydro Plant	<b>3,205,552</b>	3,827,917

Maintenance of Hydro Plant	58,170	0
Operation of Diesel Plant <u>1/</u>	852,820,156	1,208,763,927
Maintenance of Diesel Plant	6,124,053	24,343,520
Operation of Renewable Source of Energy	0	182,560
	<b>5,330,659,479</b>	<b>5,706,713,190</b>

1/The decrease in Operation of Diesel Plant in 2014 was the result of the reclassification of the amount of generating sets rental to Other Operating Expenses following the new accounting treatment as recommended by the Internal Audit Department.

#### 24. c. ADMINISTRATIVE AND GENERAL EXPENSES – SUPPORT GROUP

This account consists of the following expenses of Support Group:

	2014	2013
<b>Personnel Cost -</b>		
Salaries & Wages	232,818,081	243,067,714
Overtime/NSD Pay	25,974,316	36,044,772
Benefits/Allowances/Social Security	161,115,192	86,421,105
<b>Maint. And Other Operating Exp.</b>		
Maintenance of General Plant Equipment	33,952,286	14,922,446
Other Operating Expenses	313,356,705	303,996,691
	<b>767,216,580</b>	<b>684,452,728</b>

#### 24. d. OTHER OPERATING EXPENSES

This account consists of the following expenses:

	2014	2013
Insurance expense	42,570,467	36,833,890
Cost of audit Services	37,190,043	4,963,963
Realty tax	1,822,458	555,942
Share in National Wealth	644,835	1,090,937
Financial assistance	4,042,699	3,916,665
Job Order for Support Group & Eng'g.	77,508,647	36,579,111
Rental/lease of generating set <u>1/</u>	319,204,344	0
	<b>482,983,493</b>	<b>83,940,508</b>

1/ Refer to Note 24.b

#### 25. LOSS / GAIN ON DEBT SERVICE

	2014	2013
Gain(Loss) on Debt Service-Prin/ICERA	591,039	(2,606,190)

This account consists of the additional costs incurred as a result of the appreciation or devaluation of the peso currency which affects the costs of servicing foreign currency debts (excluding interest). These costs are recoverable / refundable from/to power consumers under the ICERA (Incremental Currency Exchange Rate Adjustment) upon approval by the ERC.

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## 26. LOSS / GAIN ON FOREX FLUCTUATION

This account consists of:

	2014	2013
<b>Gain(Loss) on Revaluation</b>		
Loan Payable	<b>96,346,918</b>	(93,809,001)

The account pertains to the gain / loss in the restatement of the outstanding balance of foreign currency denominated loans as of reporting date using the BSP guiding rates.

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## 27. INCOME FROM ADM./BACKUP/OTHER SERVICE FEE

	2014	2013
Income from Adm/Backup/Other Service Fee	<b>94,099</b>	6,401,339

The account consists on income derived from fees collected from new owners/administrators of NPC/IPP plants for the administration of the Transition Supply Contract between NPC and MERALCO under their respective Implementation Agreement with NPC. The decrease on 2014 level was due to reduction of SGCs (Successor Generating Companies).

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## 28. EXTRAORDINARY GAIN/(LOSS)

	2014	2013
<b>Extraordinary Gain</b>	<b>383,490,512</b>	0

The account pertains to the insurance proceeds from GSIS on May 2014 for the Power Barge 105 which was damaged by fire on June 2006.

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## 29. MISCELLANEOUS INCOME

This account consists of the following:

	2014	2013
Income from Liquidated Damages	<b>16,538,377</b>	6,966,710
Supplier's Discount	<b>117,785</b>	17,904
Rental Income	<b>4,959,680</b>	334,108
Bid Related Income	<b>4,811,642</b>	8,782,330

Revenue from Lease of Electric Plant	<b>2,567,976</b>	2,808,214
Income from donation	<b>5,612,743</b>	1,569,784
Others	<b>72,526,807</b>	30,334,349
	<b>107,135,010</b>	50,813,399

The ***Increase of Other Miscellaneous Income*** pertains to the penalty of New Power Providers (NPP) for the undelivered portion of the net generating capacity and over consumption of fuel based on agreed fuel cap curve limit as provided in the generating set lease contract.

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### 30. INTEREST EXPENSE

	<b>2014</b>	2013
Interest Expense	<b>14,577,005</b>	17,111,986

This account pertains to interest expense on foreign & domestic loans. The interest expense for CY 2014 pertains to the outstanding foreign loans with BNP Paribas and Natixis. Repayment of principal with BNP Paribas commenced on December 2009 and Natixis will start on September 2017.

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### 31. SUBSIDY TO NPP'S OF MEA AND TO SIG CUSTOMERS

	<b>2014</b>	2013
Subsidy to NPP's of MEA and to SIG Customers	<b>2,750,398,947</b>	2,200,745,985

This account pertains to subsidy to New Power Providers (NPP) of Missionary Electrification Areas (MEA) as approved by the Energy Regulatory Commission (ERC). The increase in this account is attributed to the full of operation of NPPs namely: Catanduanes Power Generation, DMCI Masbate, DMCI Palawan Power Corporation, Delta, Palawan Power Generation, Power Source Phils. Inc., Ormin Power, Power One Corporation, Bantayan, Mindoro Grid Corporation and Calamian Island Power Corporation.

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### 32. MISCELLANEOUS EXPENSES

This account consists of:

	<b>2014</b>	2013
Other taxes	<b>8,155,454</b>	11,104,104
Others	<b>3,937,741</b>	4,617,162
	<b>12,093,195</b>	15,721,266

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### 33. SUBSIDY FROM National Government (NG)

(Special Allotment Release Order) refers to NG Subsidy per approved SARO No. F-14-0005155 in the amount of P2 billion, the first ₱ 1 billion was reported as Other Income and the balance of P=₱ 1 billion reported under Other Deferred Credits of the Balance Sheet. (Note 21).

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### 34. PROVISION FOR PRESENT OBLIGATIONS PURSUANT TO COURT RULINGS/DECISIONS

#### 34.a

**EXECUTIVE BRIEF**  
**re NPC DAMA, ET AL. VS. NPC, ET AL.**  
G.R. No. 156208 – Third Division, Supreme Court

- Section 63 (Separation Benefits of Officials and Employees of Affected Agencies) of EPIRA provides, among others, that i. employees displaced or separated from service as a result of restructuring of the electricity industry and privatization of NPC assets ***shall be entitled either to a separation pay and other benefits*** in accordance with existing laws, rules or regulations ***or be entitled to avail of the privileges provided under a separation plan which shall be 1.5 month salary for every year of service in the government*** and ii. those who avail of such privileges shall start their government service anew if absorbed by any government-owned successor company and that there shall no diminution of benefits under the separation plan until the full implementation of the restructuring and privatization;
- On **12 December 2002**, petitioners (NPC DAMA, et al.) filed a petition before the Supreme Court questioning the authority of the NP Board in passing NPB Resolutions No. 2002-124 and No. 2002-125 on the ground that these were not passed and issued by the majority of the members of the duly constituted Board of Directors since only three of its members were present.
- NPC basically argued that the said Resolutions are valid because the Directors were ably represented by their respective alternates.
- On **26 September 2006**, the Supreme Court ruled that National Power Board Resolutions No. 2002-124 and No. 2002-125 are “**VOID and WITHOUT LEGAL EFFECT**” on the ground that “**department secretaries cannot delegate their duties as members of NPB**, much less their power to vote and approve board resolutions, because it is their personal judgment that must be exercised in the fulfillment of such responsibility”.
- On **14 September 2007**, NP Board issued Board Resolution No. 2007-55 that “**ratifies and confirms** NP Board Resolution Nos. 2003-01, 2003-11, 2003-12, 2003-15 and all other Board Resolutions related to the approval of the present Table of Organization of the National Power Corporation (NPC)”.
- Supreme Court issued its Resolution dated **17 September 2008** clarifying the legal effects of the 26 September 2006 Decision that is, the right to



reinstatement or separation pay in lieu of reinstatement plus backwages, wages adjustment and other benefits.

- On **27 October 2008**, an Entry of Judgment was issued. On 14 November 2008, an Urgent Motion for Execution was filed by petitioner NPC DAMA.
- The Supreme Court promulgated its Resolution on **10 December 2008** ordering the Chairman and Members of the NPC Board and the President of NPC to **cause the preparation of a list, under oath**, of the names of NPC employees and amounts due to each and directed the payment.
- On **09 March 2009**, the OSG filed the Compliance to the December 10, 2008 Supreme Court Resolution wherein it manifested that:
  - 1) Only the top level employees were terminated on January 31, 2003 pursuant to the nullified NPB Resolution Nos. 2002-124 and 2002-125;
  - 2) These top level employees were also rehired the day after their termination and as such any additional payment of separation pay, backwages and other benefits would be unjust; and
  - 3) The NP Board adopted Resolution No. 2007-55 ratifying and confirming Resolution Nos. 2002-124 and 2002-125 and other Board Resolutions for the reorganization. Resolution No. 2007-55 was not “made subject of” the DAMA Petition.
- The Supreme Court promulgated on **02 December 2009** a Resolution which GRANTED Petitioners (NPC DAMA) Manifestation in the Urgent Omnibus Motion dated 09 February 2009. The following are the salient points of the said resolution:
  - 1) Ordering NP Board and its President to SHOW CAUSE why they should not be held for contempt for failure to comply with the SC Resolution dated 10 December 2008;
  - 2) Ordering the Clerk of Court of the Third Division to IMPLEAD or JOIN PSALM as party-respondent to the case (**please refer to pages 21 to 25 re discussion on whether or not the assets of PSALM can be subject of execution**) ;
  - 3) Ordering NP Board and President of NPC to comply with the SC Resolution dated 10 December 2008; and
  - 4) Directing the Clerk of Court of the Regional Trial Court and Ex-Officio Sheriff of Quezon City to immediately execute the SC decision and for the Clerk of Court to submit compliance within thirty (30) days from receipt of the Resolution.
- In promulgating the said resolution, the Supreme Court reasoned that:
  - 1) The SC Resolutions dated 26 September 2006, 24 January 2007, 17 September 2008 and 10 December 2008 were referring to all employees of NPC and not only the sixteen (16) top-level employees.
  - 2) It is only after the decisions/resolutions became final and executory when NPC revealed that only 16 top-level employees were terminated on 31 January 2003.

- 3) The approval of NP Board Resolution No. 2007-55 that adopted, confirmed and approved the contents of NP Board Resolution Nos. 2002-124 and 2002-125 only have prospective effect, not a retroactive effect.
  - 4) The approval cannot ratify and validate the voided NP Board Resolutions.
  - 5) The approval of NP Board Resolution No. 2007-55 on 14 September 2007 means that the services of all NPC employees have been legally terminated on said date.
- The OSG filed Urgent Plea to Defer Execution of the 02 December 2009 Resolution.
  - A Status Quo Order was issued on **7 January 2010** such that no NPC assets/deposits will be garnished and at the same time, setting the case for oral arguments initially on 13 January 2010.
  - Hearing on the oral arguments was actually held on **20 January 2010** and the following issues were discussed that are still pending resolution:
    - 1) Who are the NPC personnel that were actually separated from the service as a result of the implementation of NP Board Resolution Nos. 2002-124 and 125;
    - 2) Whether the 17 September 2008 Resolution granted relief not sought in the 26 September 2006 Decision;
    - 3) Whether the 10 December 2008 Resolution exceeded the terms of the 17 September 2008 Resolution sought to be executed;
    - 4) What was the effect, if any, of NP Board Resolution No. 2007-55 on the nullified NP Board Resolution Nos. 2002-124 and 125;
    - 5) What is the extent of PSALM's liability for NPC's liabilities in this case.
  - On the offer of settlement of all pending monetary claims, OSG opined in its letter dated **17 February 2012** that *"(i)t would be proper and prudent to await the resolution thereof before any action is undertaken in relation thereto. This is to ensure that justice is served and that disbursement of government funds is made only to legitimate and valid claims"*.
  - In a meeting held on 12 July 2012, the NP Board confirmed that NPC management has no authority to start negotiation and placed on record its position to await the SC resolution.
  - NPC through OSG filed an Urgent Motion to Resolve dated **08 April 2013**.
  - The Supreme Court in its Resolution dated **30 June 2014** ruled on the five (5) pending issues and concluded that:
    - 1) The finalities of the 26 September 2006 Decision and 17 September 2008 Resolution contemplate and cover all the NPC employees whose illegal termination from employment stemmed from NP Board Resolution Nos. 2002-124 and 2002-125 hence, NPC is barred from estoppel from raising arguments aimed at modifying the final rulings;
    - 2) The 17 September 2008 Resolution did not grant additional reliefs as it merely clarified the consequences of the 17 September 2006 Decision;
    - 3) The dispositive portion of the 10 December 2008 Resolution did not exceed the terms of the final 17 September 2008 Resolution;

- 4) The final rulings declared the nullified NP Board resolutions as void and without legal effects and as such, cannot be ratified and the issuance of NP Board Resolution No. 2007-55 did not affect its final rulings;
- 5) PSALM assumed NPC's liabilities existing at the time of the EPIRA's effectivity including the separation benefits due to the petitioners. PSALM is considered as a necessary party to the case (**please refer to pages 38 to 40 re discussion on whether separation benefits are existing liabilities of NPC**); and

The Supreme Court likewise concluded that the refusal of NPC to comply with the 10 December 2008 Resolution and 2 December 2009 Resolution constitutes contumacious conduct for being unjustified and without legal and factual basis.

In effect, the Supreme Court denied, among others, the Motions for Reconsideration filed by NPC and PSALM and cited NPC and the Office of the Solicitor General for indirect contempt with fine of P30,000.00 each for non-compliance to final orders.

- The Clerk of Court and Executing Sheriffs issued a **Demand for Immediate Payment** in relation to the said Resolution of the Supreme Court addressed to the NP Board and NPC and the same was served upon NPC on **28 July 2014** involving the amounts of:
  1. P60,244,316,841.88 less ten percent (10%) corresponding to the charging lien of DAMA, et al. counsels;
  2. P6,024,431,684.18 which represents the attorney's liens; and
  3. P1,807,329,725.25 as lawful fees and costs for the execution.
- On **5 August 2014**, NPC wrote PSALM formally informing it of the said Resolution considering the conclusion of the Supreme Court that the judgment obligation is part of PSALM's assumed liability. NPC likewise wrote the Clerk of Court and Executing Sheriffs of RTC-QC with information that the Demand for Immediate Payment was referred to PSALM and its principal.
- Beginning **14 August 2014**, notices of garnishment issued by the Executing Sheriffs of RTC, Quezon City were served upon Land Bank of The Philippines, National Transmission Corporation, STEAG State Power, customers and other energy industry partners against NPC and PSALM properties.
- NPC, through the OSG, filed a Manifestation and Motion on **22 August 2014** before the Supreme Court praying, among others, to declare the case as an en banc case and restrain the execution of the judgment obligation.
- PSALM, through the OGCC, likewise filed its Omnibus Motion (Second Motion for Reconsideration) dated **22 August 2014**.
- On **09 September 2014**, the Supreme Court issued a Resolution **deferring** the implementation of the Decision dated 26 September 2006 and Resolutions dated 17 September 2008, 02 December 2009 and 30 June 2014 until further notice and lifting the Notice of Garnishment dated 14 August 2014. The court likewise directed the parties to submit within forty-five (45) days the lists of NPC employees

as of 31 January 2002. The required lists of the Supreme Court should include the data on the following:

1. full name;
  2. date of hiring;
  3. last date of uninterrupted service after date of hire;
  4. position and salary as of last date of service; and
  5. if termination or separation pay has been received at anytime from NPC, the amount of termination or separation pay received and date of receipt.
- NPC and PSALM were likewise required to comment within ten (10) days on the (i) letter of 31 July 2014 of Atty. Perlita V. Ele and the letter of 05 August 2014 of Attys. Orocio and Aldon; (ii) Motion to Expunge filed by NPC-DAMA; and (iii) Special Appearance of MERALCO.
  - NPC, through OSG, filed its Comment dated **7 October 2014** and prayed for the denial of petitioner's Motion to Expunge and Meralco's Special Appearance on the ground that the same were superseded by the 9 September 2014 Resolution. The OSG merely noted the letters of Attys. Ele, Orocio and Aldon.
  - Attys. Orocio and Aldon, in a letter dated **16 October 2014**, wrote the National Power Corporation that the " xxx the rate of interest on the principal amount of the award was not correct as it was done on a straight basis, and not compounded as should have been the case xxx ". It advised NPC that "in the event the pending incidents of the case in the Supreme Court are disposed of and the decision/resolution is ultimately implemented, a re-computation be made to arrive at the proper and correct amount of interests on the principal amounts of the award due our clients, the petitioners." NPC referred the same to OSG per letter dated 4 November 2014.
  - NPC through OSG filed its Compliance Ad Cautelam on **24 November 2014**, within the extendible period to comply with the 09 September 2014 Resolution to submit the required list.
  - NPC received on 27 November 2014 the Resolution dated **20 October 2014** of the Supreme Court modifying its 09 September 2014 Resolution by requiring the submission of list of NPC employees as of 26 June 2001 with additional information on the DAMA-affected employees' separation pay; wage adjustments; date of rehire by NPC/PSALM/TRANSCO and their subsequent positions and salaries; subsequent termination and amount of separation pay received.
  - Both NPC and PSALM, through its respective statutory counsels, filed Motions for Extension of Time to comply to the said 20 October 2014 Resolution. NPC has until 14 February 2015 to submit the required list.

**34.b**

**EXECUTIVE BRIEF**  
**re NPC AND NP BOARD vs. Hon. RALPH LEE and**  
**EMMA Y. BAYSIC and NARCISA G. SANTIAGO**  
**G.R. No. 213893 – Supreme Court**  
**(CA-G.R. SP No. 115773 – Court of Appeals)**

- Petitioners Baysic, et al. filed on 12 July 2007 a case for Mandamus with Prayer for Accounting and Motion for Evidentiary Hearing. Petitioners are retirees of NPC from 1998 to 2001. They are claiming full amount of financial assistance provided for under the Special Early Disengagement Plan (SEPD). The said plan was authorized under NP Board Resolution No. 98-130.

Petitioners claim that the financial assistance provided for under said Board Resolution was fixed at 1.5 months salary for every year of government service computed as:

- a) the *difference* between the lump sum gratuity benefits under R.A. 1616 multiplied by 1.5; and the present value of the 5 years lump sum benefit under PD 1146 as amended by R.A. 8291 or R.A. 660, for those qualified to retire under both R..A. 1616 and either PD 1146 or R.A. 660; and
- b) for those not qualified to retire under any of the retirement plans or those who have not yet reached 60 years old, a lump sum benefit equivalent to 1.5 months salary for every year of government service.”

Further, they claim that they did not receive financial assistance equivalent to 1.5 months salary for every year of government service because the amount of retirement pay they received from GSIS was deducted from the gross financial benefits.

When the EPIRA took effect in 2003, separation pay in the amount of 1.5 months for every year of government service was granted to legally terminated employees (as of 2003) without deducting gratuity/retirement pay received from GSIS.

- NPC filed its Answer dated 17 October 2008 alleging the following:
  - a) Petitioners Baysic, et al. should have first raised their issues before the Civil Service Commission as part of the exhaustion of administrative remedies;
  - b) Petitioners have no clear right because they are fully aware of the guidelines of retirement under NP Board Resolution No. 98-130 when they availed of it; and
  - c) The EPIRA provisions on separation/retirement cannot retroactively apply to the petitioners.
- A motion to strike out NPC’s Answer was filed by petitioners which questioned the Verification/ Certification of NPC and which the court immediately granted. NPC moved for the reconsideration but was denied.
- On 6 September 2010, NPC through the OSG filed a petition for certiorari and prohibition before the Court of Appeals based on the following:
  - a) NPC complied with the Rules on Verification;
  - b) NPC’s Answer dated 17 October 2008 does not actually require Verification; and

- c) The trial court committed grave abuse of discretion in issuing the Order of Default.
- On the same date (6 September 2010), NPC received a copy of the 16 August 2010 Decision of the trial court ordering it to pay petitioners the aggregate sum of P301.5 million plus interest at 6% per annum, P1 million as exemplary damages and 10% of the total amount as attorney's fees.
  - Subsequently, OSG filed an Amended Petition on 16 September 2010 to include the 16 August 2010 Decision of the trial court.
  - In a letter dated 14 February 2011, the petitioners offered to compromise certain components of the RTC decision. Petitioners are waiving portion of their separation pay under the EPIRA though this was not included in their original claim nor included in the Decision of the RTC. In addition, they are also proposing to waive the award of exemplary damages and one-half (1/2) of the award of legal interest.
  - The initial proposal for settlement by petitioners was denied by the NP Board Review Committee in its 17 February 2011 meeting.
  - Another proposal was received from the petitioners reducing by 5% the actual damages and waiving all its interest and the P1 million exemplary damages.
  - As of June 2011, the reduced total amount claimed by petitioners is P315.105 million with the waived components amounting to P97.3 million.
  - After evaluation of the proposal, the OSG opined in its letter dated 21 February 2012 that *"accepting the compromise agreement was not sound and will not serve the best interest of NPC"*. Hence, it recommended that the petition for certiorari pending before the Court of Appeals be pursued.
  - The proposal for settlement was again presented to the Board Review Committee in its 5 July 2012 meeting. In the said meeting, the BRC endorsed the matter to the NP Board.
  - On various dates of October and November 2012, some of the individual claimants/petitioners wrote to the members of the NP Board seeking their assistance in the payment of their claims.
  - During the BRC meeting held on May 2013, it confirmed that the issue will be decided upon by its principal. Subsequently, on the Special NP Board Meeting held on 31 July 2013, the Board decided to write the OSG on the matter of entering into Compromise Agreement with the claimants. As of July 2013, the judgment obligation is computed at P452.197 million with petitioners offering to settle at P315.015 million.
  - In a letter dated 13 September 2013, DOF Undersecretary John P. Sevilla (as Alternate Chairman) and NPC President Ma. Gladys Cruz-Sta. Rita wrote OSG seeking clarification on the effect of the Beto Case and sworn statements of Messrs. Delgado and Viray and an opinion on the legality of entering into

settlement with the claimants taking into consideration the supervening circumstances surrounding the case.

- On 04 March 2014, the Court of Appeals issued a Resolution dismissing the Amended Petition for Certiorari and Prohibition for being an improper remedy. The Court of Appeals ruled that the proper remedy in case of default judgment is an Appeal, a remedy available to NPC when it filed its Amended Petition. As of 31 March 2014, the total judgment obligation based on the RTC Decision amounts to P467.123 million.
- NPC retirees through Ms. Emma Baysic wrote the NPC President on 13 March 2014 furnishing the latter with a copy of the said 04 March 2014 Resolution of the Court of Appeals and soliciting the kind assistance to facilitate the immediate resolution of the retirees' financial claim.
- A Motion for Reconsideration dated 24 March 2014 was filed by OSG arguing that the certiorari will correct an invalid order and an order issued without jurisdiction. That jurisprudence does not prohibit the petition for certiorari if the order of default is being assailed, even if appeal is an available remedy. Hence, it stated that *"the resort to certiorari by herein petitioners is justified because the default judgment is being assailed on the ground that it is intrinsically void for having been rendered pursuant to a patently invalid order of default"*.
- The Court of Appeals issued a Resolution on 11 August 2014 denying the Motion for Reconsideration, there being no cogent and compelling reasons found to justify the modification or reversal of its 04 March 2014 Resolution.
- On 10 October 2014, NPC through the OSG filed a petition for review on certiorari before the Supreme Court.

### 34.c

**EXECUTIVE BRIEF  
NEWU VS. DEL CALLAR (as NPC President)  
CA-GR S.P. No. 113743**

- A Petition for mandamus with prayer for a temporary restraining order and preliminary injunction was filed on 19 October 2007 by NEWU and 21 other NPC employees seeking the release of the so-called "net increase adjustment" which was purportedly withheld from them. NEWU also claims to represent other NPC employees similarly situated.
- Pursuant to NPC Circular No. 2003-09, a Step Increase Adjustment was given to employees. The said adjustment is a consequence of the step increment, a salary increase based on the number of years of service in the same position starting 1 January 1994.
- NPC discontinued the Step Increment because of the issue of Disallowance and that the EPIRA required the downsizing of personnel as a consequence of privatization. NPC employees were eventually terminated in January to February 2003.

- The issue arose on which amount of basic salary will be used in the computation of separation benefits. Some argued that it should be the “**pre-rollback rate**” or the highest monthly salary of the employee while in government service. Others argued that it should be the “**rollback rate**” or the basic monthly salary net of the total salary adjustments including additional bonus. This issue was brought before the court for adjudication.
- Pending resolution of the case, NPC deposited on escrow the amount corresponding to the difference between “pre-rollback rate” and “rollback rate”. The difference is the **step increment adjustment**.
- A substantial number of NPC employees voluntarily signed waivers losing their right to claim the difference. (They are now the petitioners in this case.)
- The step increment adjustment was intended for those NPC employees, whether rehired or not after legal termination, but did not waive their additional separation benefits.
- Petitioners filed the instant case seeking the release of the “net increase adjustment”. NPC posited that there was no “net increase adjustment”, only a “step increase adjustment”.
- On 31 August 2008, NPC moved for the dismissal of the case based on the following grounds :
  1. Petitioner NEWU has no legal standing on behalf of all NPC employees before the court;
  2. The payment of Step Increment Adjustment to petitioners is not a ministerial duty of NPC;
  3. Petitioners have no cause of action against NPC; and
  4. Petitioners failed to exhaust all administrative remedies.
- NPC’s motion to dismiss was denied by the court on 25 June 2008.
- NPC filed its Memorandum on 11 February 2009.
- The trial court in its decision dated 9 June 2009 denied the petition of NEWU for injunction but ordered NPC to pay the employees of the so-called net increase adjustment.
- NPC filed a Motion for Partial Reconsideration which was denied by the trial court in an Order dated 27 November 2009.
- NPC, through the OSG, filed a petition before the Court of Appeals and was submitted for decision as of 27 July 2010.
- On the offer of settlement of all pending monetary claims including the step increment (P549.408 Million per claimants’ proposal), OSG opined in its letter dated 05 March 2012 that “*considering the merits of the NPC’s appeal which is anchored on the ground that NPC Circular No. 2001-51 is invalid, it having been repealed and superseded by NPC Board Resolution No. 2002-81, and*



*considering further that a resolution of the appeal may already be forthcoming, it would be more prudent to await the same. It must be emphasized that NPC has raised meritorious grounds and thus its appeal must be pursued until the very end”.*

- On 23 October 2013, the Court of Appeals rendered a Decision granting the appeal of NPC such that the 9 June 2009 Decision of the trial court was reversed and set aside insofar as it directed the NPC President to pay its employees covered under NPC Circular No. 2001-51. The denial of the prayer for injunction was sustained.
- In granting NPC’s appeal, the Court of Appeals noted that the issue raised by appellees’ NEWU was already decided in the case of Boncodin vs. NECU where the Supreme Court stated that “the step increments enjoyed by the NAPOCOR employees could not have ripened into vested rights. In brief, it is seriously contended that because they were granted without the required DBM approval, no vested rights to the step increments could have been acquired.”
- The 23 October 2013 Decision has become final and executory on 02 October 2014 as per Entry of Judgment received by the OSG on 03 February 2015.

34.d

**EXECUTIVE BRIEF**  
**re RP, ET AL. VS. CORTEZ, NEWU/NECU (COLA/AA)**  
G.R. No. 187257 – Supreme Court

- **January 3, 2008** – Petitioners Abner Eleria and Melito Lupangco filed their Petition for Mandamus before the Regional Trial Court of Quezon City, Branch 84. In the said petition, NECU/NEWU pray for the Court to order NPC and the NP Board to immediately **release and pay the COLA and AA** on the bases of:
  1. *De Jesus vs. COA (294 SCRA 152 [1998])* which invalidated **DBM CCC No. 10** on the basis of its non-publication as required by law;
  2. *PPA vs. PPA Employees Hired After July 1, 1989 (469 SCRA 397 [2005])* which declared that all and not only incumbents as of July 1, 1989 should be allowed to receive back pay corresponding to the said benefits from July 1, 1989 to March 16, 1999.
  3. *MWSS vs. Bautista, et al. (G.R. No. 171351, March 14, 2008)* reiterated the Supreme Court’s pronouncements in the De Jesus and PPA cases.
- **February 18, 2008** – NECU and NEWU filed its Petition-in-Intervention supporting the release of the COLA/AA.
- **May 30, 2008** – The OSG filed its Omnibus Motion praying that: (1) it be allowed to withdraw its appearance as counsel for NPC and the NP Board; (2) it be allowed to intervene as the People’s Tribune; and (3) the petition be dismissed.

- The Regional Trial Court of Quezon City, Branch 84 promulgated its **Decision** in favor of the Petitioners on **November 28, 2008**. The Decision orders the NPC and the NP Board to:
  1. Release and pay the petitioners/intervenors/other non-union employees within 30 days from finality of the Decision, the amount of PhP6,496,055,339.98 representing the COLA and AA and P704,777,508.60 representing **interest** computed from December 28, 2007. The monetary judgment shall earn interest of 12% per annum from finality of the Decision until its full satisfaction;
  2. Pay Attorney's fees in the amount of P100,000.00 in favor of Petitioners and P200,000.00 in favor of intervenors NECU and NEWU;
  3. Deduct the amount of P145,464,872.55 representing deficiency payment of docket and other legal fees from the NPC officials/workers/employees including non-union beneficiaries similarly situated, and Remit and Pay the same to the Clerk of Court of RTC of Quezon City, Branch 84. The amount is subject to final computation and assessment of the Clerk of Court; and
  4. Deduct 5% of the amount payable to each NPC employee, including non-union beneficiaries similarly situated, for the said Attorney's Fees pro-rata and to Pay the amount deducted to Attys. Galit and Presquito, after deducting the appropriate taxes.
- A Motion for Execution against the Respondent NPC was filed by the Petitioners and Petitioners-Intervenors on **December 5, 2008**. A Notice of Appeal was filed by the OSG on **December 5, 2008**.
- A Motion for Reconsideration of the RTC Decision was filed by Secretary Andaya (as member of the NP Board) on **December 18, 2008**. On the other hand, NPC-OGC filed a Manifestation in behalf of NPC Management on December 16, 2008 stating that the authority to decide upon the issue at hand rests with the NP Board, although it was likewise reiterated that NPC Management, consistent with its previous position, supports the release of the COLA and AA.
- **March 20, 2009** – The Court promulgated its **Joint Order** with the following directive:
  1. the Motion for Execution is granted. The Branch Clerk of Court is directed to issue the Certificate of Finality of Judgment and the Writ of Execution;
  2. the Motion to Deposit the Amount Equivalent to the Judgment Award is granted. The NPC Management through its President, the NP Board and Treasurer are ordered to deposit the amount of P6,496,055,339.98 representing COLA and AA and P704,777,508.60 representing interest, with the Land Bank of the Philippines, with high yielding bearing interest, within 30 days from receipt of the order;
  3. the Notice of Appeal filed by the OSG is denied and dismissed;

4. the Motion for Reconsideration filed by Secretary Andaya is denied with finality.
- **March 23, 2009** – Finality of Judgment, Writ of Execution and Notice of Garnishment issued by the RTC
  - **March 27, 2009** – Letter of the OSG advising NPC to write its banks that the notice of garnishment as well as the writ of execution cannot be implemented.
  - **April 15, 2009** - The SC issued a **TRO/Injunction** on the March 20, 2009 Decision and March 23, 2009 Writ of Execution issued by the RTC.
  - **May 27, 2009** - DBM filed a separate Petition for Certiorari with the SC questioning the RTC's Decision, Joint Order and Writ of Execution.
  - **9 September 2009** – The Supreme Court issued a Resolution directing that:
    1. G.R. No. 187359 (NEWU and NECU, etc. vs. NPC, etc. et al.) be consolidated with G.R. 187257;
    2. G.R. 187776 (Andaya, etc., et al. vs. Hon. Cortez, etc., et al.) and G.R. 187420 (PGEA, etc. et al. vs. NPC, et al) be transferred to the First Division where G.R. 187257 and the two consolidated cases are assigned, to avoid conflicting decisions; and
    3. Note: G.R. 187359 and G.R. 187420 involve a common question of law – the validity of the Operations and Maintenance Agreement (OMA) dated 30 January 2009 in relation to the EPIRA.
  - As of date, all the cases cited above are still pending resolution by the Supreme Court.
  - On the offer of settlement of all pending monetary claims, OSG opined in its letter dated 17 February 2012 that *“(i)t would be proper and prudent to await the resolution thereof before any action is undertaken in relation thereto. This is to ensure that justice is served and that disbursement of government funds is made only to legitimate and valid claims”*.
  - In a meeting held on 12 July 2012, the NP Board confirmed that NPC management has no authority to start negotiation and placed on record its position to await the SC resolution.
  - On 03 May 2013, the Officers and Members of PGEA-NPC wrote the NP Board and NPC Management requesting the release of COLA and AA. It is the group's contention that the disallowance of COLA and AA provided under the Salary Standardization Law does not cover the NPC and as such, its employees are long deprived of its rightful claim over the said allowances. The letter did not provide any terms except their willingness to execute a “Release, Waiver and Quitclaim”.

- The Department of Budget and Management, thru Director Lorenzo C. Drapete, in a letter dated 15 May 2013 referring to National Power the subject letter of NPC-PGEA, stated that *“(t)he Supreme Court under G.R. No. 157492 dated March 10, 2006 (copy attached) denied the petition of Napocor Employees Consolidated Union, et. al. for Employee Welfare Allowance equivalent to 10% of employees basic salary since the subject allowance, like COLA and AA, are among the allowances factually integrated into the basic monthly salary of employees”*.
- Several letters to NPC was submitted by petitioners claiming payment of the COLA/AA. The latest of said letters were on 18 and 28 August 2014 from petitioners’ counsel offering the settlement of the claims. The said letters were referred to the NP Board for its information and consideration.

**STATUS OF PENDING CASES**  
**SUMMARY OF CONTINGENT CLAIMS AND LIABILITIES**  
As of 31, December 2014

NATURE	NO. OF CASES WITHOUT AMOUNT INVOLVED/ NO BASIS TO BE DETERMINED	CONTINGENT CLAIMS* (ESTIMATED AMOUNT INVOLVED)		CONTINGENT LIABILITIES*			
		NUMBER OF CASES	TOTAL AMOUNT (Php)	NUMBER OF CASES	TOTAL AMOUNT (PHP)	NUMBER OF CASES	TOTAL AMOUNT (\$ US DOLLARS)
EXPROPRIATION (Plant Related/Spug)	63			20	38,604,508.30		
Land Registration Cases	197						
ERC	101						
TAX							
<i>Real Property Cases (IPP)</i>	15			5	1,579,620,699.06		
<i>Real Property Cases (NPC)</i>	4			8	13,468,324,498.94		
<i>Local tax</i>	7			6	10,348,256,993.86		
<i>Franchise Tax Cases</i>	9			8	137,016,156.90		
OTHER CIVIL CASES	61	2	278,000,000.00	15	14,707,806,215.65		
EJECTMENT/ RECOVERY OF POSSESSION/DAMAGES/JUST COMPENSATION	116			54	5,454,225,399.23	1	45,000,000.00
LABOR CASES	16			7	8,000,743,802.20		
CRIMINAL CASES	14						
ADMINISTRATIVE CASES	23						
<b>TOTAL NUMBER OF CASES</b>	<b>626</b>	<b>2</b>		<b>123</b>		<b>1</b>	
<b>TOTAL ESTIMATED AMOUNT (Php &amp; \$)</b>			<b>278,000,000.00</b>		<b>53,734,598,274.14</b>		<b>45,000,000.00</b>

**Note: \* Claims and Liabilities of NPC are subject to change because the amounts among others are one of the areas under court litigation.**

Handled by OLC

(Filed by or Against NPC as of 31, December 2014)

Nature	Number of Cases
Expropriation	83
Land Registration	197
ERC	101
Labor	23
Criminal	14
Administrative	23
Tax Cases	62
Other Civil Cases	79
Just Compensation/Ejectment/Recovery of Possession/Damages	170
<b>Total</b>	<b>752</b>

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### 35. TARIFF DEVELOPMENT IN THE YEAR 2014

The following are the developments in Tariff for the Year 2014:

#### 20 JUNE 2014

- The National Power Corporation (NPC) filed its application for the recovery of revenue shortfall from the Universal Charge for Missionary Electrification (UCME) for CY 2013 before the Energy Regulatory Commission (ERC) and docketed under ERC Case No. 2014-089 RC. The proposed recovery of CY 2013 True-up adjustment amounted to **P5.46 billion**, or equivalent to **P0.0769/kWh** is in compliance with ERC Resolution No. 21, Series of 2011 and ERC Resolution No. 22, Series of 2006, respectively.
- NPC filed its application for the 11<sup>th</sup> Generation Rate Adjustment (GRAM) as part of its compliance to the directives of the power rate regulator and docketed under ERC Case No. 2014-090 RC. Adjustment corresponding to this filing which covers the billing period from January to June 2013 is referred to as Deferred Accounting Adjustments or DAAs which are just pass-thru costs in NPC's rates. The proposed recovery amounted to **P1.83 billion** would translate into upward adjustments of rates (if approved as filed) in Luzon, Visayas and Mindanao grids amounting to P2.1097/kWh, P1.9125/kWh and P1.4873/kWh respectively, or an average increase of P1.8788/kWh. The 11<sup>th</sup> GRAM DAA is spread for over twenty-four (24) months to mitigate the impact to power customers in the NPC-SPUG areas.
- NPC filed its application for the 11<sup>th</sup> Incremental Currency Exchange Rate Adjustment (ICERA) as part of its compliance to the directives of the power rate regulator and docketed under ERC Case No. 2014-091 RC. Adjustment corresponding to this filing which covers the billing period from January to June 2013 is referred to as Deferred

Accounting Adjustments or DAAs which are just pass-thru costs in NPC's rates. The 11<sup>th</sup> ICERA DAA for recovery of **P8.07 million**, or equivalent to **P0.0162/kWh** is spread for over twelve (12) months in Luzon, Visayas and Mindanao areas.

#### **15 SEPTEMBER 2014**

- NPC filed its Consolidated Petition for the Approval of the Proposed New Subsidized Approved Generation Rate (SAGR) and the Universal Charge for Missionary Electrification (UCME) for the years 2015-2016 before the ERC and docketed under ERC Case No. 2014-135 RC. In the said filing NPC prays for the adoption of the Proposed New SAGR (Table 1) and the Proposed UCME for CY 2015 of **P12.09 billion**, or equivalent to **P0.1476/kWh** and for CY 2016 of **P11.37Bn**, or equivalent to **P0.1467/kWh**.

#### **03 NOVEMBER 2014**

- The ERC provisionally approved the petition filed by NPC for the Proposed Revised Subsidized Approved Generation Rate (SAGR) and the Universal Charge for Missionary Electrification (UCME) for the years 2015 to 2016, effective December 26, 2014, subject to the following conditions:
  - ❖ the remaining Subsidized Approved Generation Rate (SAGR) in the SPUG areas shall remain as previously approved by the Commission pending the final resolution of the instant petition; and
  - ❖ NPC is authorized to extend the implementation of the current CY 2014 UCME subsidy amounting to P0.1561/kWh from January 2015 to August 2015.

#### **22 DECEMBER 2014**

- NPC filed its application for the 12<sup>th</sup> Generation Rate Adjustment Mechanism (GRAM) and 12<sup>th</sup> Incremental Currency Exchange Rate Adjustment (ICERA) before the ERC as part of its compliance to the directives of the power rate regulator and docketed under ERC Case Nos. 2014-188 RC and 2014-189 RC, respectively. Adjustments corresponding to these filings which cover the billing period from July to December 2013 are referred to as Deferred Accounting Adjustments or DAAs which are just pass-thru costs in NPC's rates. The proposed recovery amounted to **P1.66 billion** would translate into upward adjustments of rates in Luzon, Visayas and Mindanao grids amounting to P1.8473/kWh, P2.1779/kWh and P1.4848/kWh respectively, or an average increase of **P1.7365/kWh**. The proposed recovery for the 12<sup>th</sup> GRAM and 12 ICERA DAA are spread into twenty-four (24) months and twelve (12) months, respectively.

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### **36. UPDATE ON PRIVATE SECTOR PARTICIPATION PROGRAM IN THE POWER GENERATION IN SPUG-SERVICED AREAS**

In line with the government thrust to privatize the power industry including the operation of NPC – SPUG plants and minimize the subsidy on these areas, the following are the developments on the participation of the private sector in the power generation in the SPUG serviced areas:

NEW POWER PROVIDER	LOCATION	STATUS
1. Bantayan Island Power Corporation- (BIPCOR)	Bantayan Island	Operational and UCME recipient since May 2006
2. Palawan Power Generation Inc.	Mainland Palawan	Operational and UCME recipient since May 2008
3. Delta P	Mainland Palawan	Operational and UCME recipient since April 2009
4. Powersource Phils. (QTP)	Bataraza, Palawan	Operational and UCME recipient since July 2010
5. D. M. Consunji Holdings –(DMCI)	Masbate Mini Grid	Operational and UCME recipient since August 2010
6. Catanduanes Power Generation Inc.	Catanduanes	Operational and UCME recipient since July 2011.
7. Ormin Power Inc.	Oriental Mindoro	Operational and UCME recipient since November 2011.
8. Power One Corporation/ Mid Island Power Corporation	Oriental Mindoro	Operational and UCME recipient since May 2012.
9. SUNWEST Water & Electric Company	Catanduanes	Operational as of December 3, 2012
10. Calamian Islands Power Corporation	Busuanga	Calamian Island Power Corporation is a joint venture of Viv Energy Corporation & Giggawatt Power Inc. On-going processing of UCME Settlement Agreement. Inauguration 7.734MW Coron Power Station & 910KW Busuanga Power Station – August 25, 2014
	Oriental Mindoro	Operational As of December 3, 2012
12. Gigawatt-Vivant	Busuanga	On-going construction of power plant facilities
13. Siquijor Island Power Corporation	Siquijor	Target start of commercial operation – February 2015.
14. Mindoro Grid Corporation	Oriental Mindoro	Operational as of December 3, 2012
15. 3iPowergen	Tablas, Marinduque, Romblon	No power plant yet
16. Coastal Power Development Corporation	Basilan	No power plant yet
17. Philippine Hybrid Energy Systems, Inc. (PHESI)	Oriental Mindoro	No power plant yet

### 37. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR No. 15-2010

In compliance with the requirements set forth by Revenue Regulations No 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

The Corporation is a VAT - registered company with VAT output tax declaration of ₱243,535,876.43 the year based on the amount reflected in the Sales Account of ₱ 2,029,465,636.92.



The Corporation has zero-rated/exempt sales amounting to ₱17,941,859.18 pursuant to the provisions of Sections 106 (A)(2) and 108 (B) of the National Internal Revenue Code, as amended.

The amount of VAT Input taxes claimed are broken down as follows:

Beginning Balance, January 2014	3,312,490,008.12
Current year's purchases:	
I. Non-Capital Goods (fuel, materials, equipment & spares)	587,452,783.76
II. Capital Goods	8,975,401.98
III. Services	421,832,137.06
	<u>1,018,260,322.80</u>
Claims for tax credit/refund and other adjustment	0
<b>Ending Balance December 2014</b>	<b><u>4,330,750,330.92</u></b>

Other taxes and licenses pertain to:

Nature	In pesos
Realty Tax	1,822,457.73
	<b><u>1,822,457.73</u></b>

The amount of withholding taxes paid/occurred for the year amounting to:

Nature	In pesos
I. Tax on compensation and benefits	89,070,716.94
II. Creditable withholding taxes	139,115,224.93
III. Final VAT/Final withholding taxes	453,413,635.13
	<b><u>681,599,577.00</u></b>

### **38. INCOME TAX**

Pursuant to BIR Ruling 020-2002 – Tax Consequences of Electric Power Industry Reform Act of 2001 (B)(4) (Annex C) states that, “While under the EPIRA, power generation shall no longer be considered a public utility operation, it may still be considered as essential governmental function insofar as the operation by NPC of the assets of SPUG is concerned. Hence, income derived there from shall be excluded from gross income pursuant to Sec. 32 (b)(7) OF THE 1997 Tax Code (Annex D)